

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2018**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: **001-35167**



Kosmos Energy Ltd.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

98-0686001
(I.R.S. Employer
Identification No.)

Clarendon House
2 Church Street
Hamilton, Bermuda
(Address of principal executive offices)

HM 11
(Zip Code)

Registrant's telephone number, including area code: **+1 441 295 5950**

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 1, 2018
Common Shares, \$0.01 par value	396,123,151

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Unless otherwise stated in this report, references to “Kosmos,” “we,” “us” or “the company” refer to Kosmos Energy Ltd. and its wholly owned subsidiaries. We have provided definitions for some of the industry terms used in this report in the “Glossary and Selected Abbreviations” beginning on page 3.

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**KOSMOS ENERGY LTD.
GLOSSARY AND SELECTED ABBREVIATIONS**

The following are abbreviations and definitions of certain terms that may be used in this report. Unless listed below, all defined terms under Rule 4-10(a) of Regulation S-X shall have their statutorily prescribed meanings.

“2D seismic data”	Two-dimensional seismic data, serving as interpretive data that allows a view of a vertical cross-section beneath a prospective area.
“3D seismic data”	Three-dimensional seismic data, serving as geophysical data that depicts the subsurface strata in three dimensions. 3D seismic data typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic data.
“API”	A specific gravity scale, expressed in degrees, that denotes the relative density of various petroleum liquids. The scale increases inversely with density. Thus lighter petroleum liquids will have a higher API than heavier ones.
“ASC”	Financial Accounting Standards Board Accounting Standards Codification.
“ASU”	Financial Accounting Standards Board Accounting Standards Update.
“Barrel” or “Bbl”	A standard measure of volume for petroleum corresponding to approximately 42 gallons at 60 degrees Fahrenheit.
“Bbbl”	Billion barrels of oil.
“BBoe”	Billion barrels of oil equivalent.
“Bcf”	Billion cubic feet.
“Boe”	Barrels of oil equivalent. Volumes of natural gas converted to barrels of oil using a conversion factor of 6,000 cubic feet of natural gas to one barrel of oil.
“Boepd”	Barrels of oil equivalent per day.
“Bopd”	Barrels of oil per day.
“Bwpd”	Barrels of water per day.
“Debt cover ratio”	The “debt cover ratio” is broadly defined, for each applicable calculation date, as the ratio of (x) total long-term debt less cash and cash equivalents and restricted cash, to (y) the aggregate EBITDAX (see below) of the Company for the previous twelve months.
“Developed acreage”	The number of acres that are allocated or assignable to productive wells or wells capable of production.
“Development”	The phase in which an oil or natural gas field is brought into production by drilling development wells and installing appropriate production systems.

“Dry hole”	A well that has not encountered a hydrocarbon bearing reservoir expected to produce in commercial quantities.
“EBITDAX”	Net income (loss) plus (i) exploration expense, (ii) depletion, depreciation and amortization expense, (iii) equity-based compensation expense, (iv) unrealized (gain) loss on commodity derivatives (realized losses are deducted and realized gains are added back), (v) (gain) loss on sale of oil and gas properties, (vi) interest (income) expense, (vii) income taxes, (viii) loss on extinguishment of debt, (ix) doubtful accounts expense and (x) similar other material items which management believes affect the comparability of operating results. The Facility EBITDAX definition includes 50% of the EBITDAX adjustments of Kosmos-Trident International Petroleum Inc.
“E&P”	Exploration and production.
“FASB”	Financial Accounting Standards Board.
“Farm-in”	An agreement whereby a party acquires a portion of the participating interest in a block from the owner of such interest, usually in return for cash and for taking on a portion of the drilling costs of one or more specific wells or other performance by the assignee as a condition of the assignment.
“Farm-out”	An agreement whereby the owner of the participating interest agrees to assign a portion of its participating interest in a block to another party for cash and/or for the assignee taking on a portion of the drilling costs of one or more specific wells and/or other work as a condition of the assignment.
“Field life cover ratio”	The “field life cover ratio” is broadly defined, for each applicable forecast period, as the ratio of (x) the forecasted net present value of net cash flow through depletion plus the net present value of the forecast of certain capital expenditures incurred in relation to the Ghana and Equatorial Guinea assets, to (y) the aggregate loan amounts outstanding under the Facility.
“FPSO”	Floating production, storage and offloading vessel.
“Interest cover ratio”	The “interest cover ratio” is broadly defined, for each applicable calculation date, as the ratio of (x) the aggregate EBITDAX (see above) of the Company for the previous twelve months, to (y) interest expense less interest income for the Company for the previous twelve months.
“Loan life cover ratio”	The “loan life cover ratio” is broadly defined, for each applicable forecast period, as the ratio of (x) net present value of forecasted net cash flow through the final maturity date of the Facility plus the net present value of forecasted capital expenditures incurred in relation to the Ghana and Equatorial Guinea assets, to (y) the aggregate loan amounts outstanding under the Facility.

“MBbl”	Thousand barrels of oil.
“Mcf”	Thousand cubic feet of natural gas.
“Mcfpd”	Thousand cubic feet per day of natural gas.
“MMBbl”	Million barrels of oil.
“MMBoe”	Million barrels of oil equivalent.
“MMcf”	Million cubic feet of natural gas.
“MMcfd”	Million cubic feet per day of natural gas.
“Natural gas liquid” or “NGL”	Components of natural gas that are separated from the gas state in the form of liquids. These include propane, butane, and ethane, among others.
“Petroleum contract”	A contract in which the owner of hydrocarbons gives an E&P company temporary and limited rights, including an exclusive option to explore for, develop, and produce hydrocarbons from the lease area.
“Petroleum system”	A petroleum system consists of organic material that has been buried at a sufficient depth to allow adequate temperature and pressure to expel hydrocarbons and cause the movement of oil and natural gas from the area in which it was formed to a reservoir rock where it can accumulate.
“Plan of development” or “PoD”	A written document outlining the steps planned to be undertaken to develop a field.
“Productive well”	An exploratory or development well found to be capable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or natural gas well.
“Prospect(s)”	A potential trap that may contain hydrocarbons and is supported by the necessary amount and quality of geologic and geophysical data to indicate a probability of oil and/or natural gas accumulation ready to be drilled. The five required elements (generation, migration, reservoir, seal and trap) must be present for a prospect to work and if any of these fail neither oil nor natural gas may be present, at least not in commercial volumes.
“Proved reserves”	Estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be economically recoverable in future years from known reservoirs under existing economic and operating conditions, as well as additional reserves expected to be obtained through confirmed improved recovery techniques, as defined in SEC Regulation S-X 4-10(a)(2).
“Proved developed reserves”	Those proved reserves that can be expected to be recovered through existing wells and facilities and by existing operating methods.
“Proved undeveloped reserves”	Those proved reserves that are expected to be recovered from future wells and facilities, including future improved recovery projects which are anticipated with a high degree of certainty in reservoirs which have previously shown favorable response to improved recovery projects.

<i>“Shelf margin”</i>	The path created by the change in direction of the shoreline in reaction to the filling of a sedimentary basin.
<i>“Stratigraphy”</i>	The study of the composition, relative ages and distribution of layers of sedimentary rock.
<i>“Stratigraphic trap”</i>	A stratigraphic trap is formed from a change in the character of the rock rather than faulting or folding of the rock and oil is held in place by changes in the porosity and permeability of overlying rocks.
<i>“Structural trap”</i>	A topographic feature in the earth’s subsurface that forms a high point in the rock strata. This facilitates the accumulation of oil and natural gas in the strata.
<i>“Structural-stratigraphic trap”</i>	A structural-stratigraphic trap is a combination trap with structural and stratigraphic features.
<i>“Submarine fan”</i>	A fan-shaped deposit of sediments occurring in a deep water setting where sediments have been transported via mass flow, gravity induced, processes from the shallow to deep water. These systems commonly develop at the bottom of sedimentary basins or at the end of large rivers.
<i>“Three-way fault trap”</i>	A structural trap where at least one of the components of closure is formed by offset of rock layers across a fault.
<i>“Trap”</i>	A configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate.
<i>“Undeveloped acreage”</i>	Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of natural gas and oil regardless of whether such acreage contains discovered resources.

KOSMOS ENERGY LTD.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2018	December 31, 2017
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 198,841	\$ 233,412
Restricted cash	35,378	56,380
Receivables:		
Joint interest billings, net	76,642	134,565
Related party	2,780	780
Other	20,752	25,616
Inventories	79,710	71,861
Prepaid expenses and other	31,311	9,306
Derivatives	3,461	1,682
Total current assets	448,875	533,602
Property and equipment:		
Oil and gas properties, net	2,297,246	2,310,973
Other property, net	9,291	6,855
Property and equipment, net	2,306,537	2,317,828
Other assets:		
Equity method investment	190,211	236,514
Restricted cash	21,509	15,194
Long-term receivables - joint interest billings	28,001	34,941
Deferred financing costs, net of accumulated amortization of \$14,636 and \$13,951 at March 31, 2018 and December 31, 2017, respectively	1,825	2,510
Deferred tax assets	22,240	22,517
Derivatives	1,093	39
Other	10,237	29,458
Total assets	\$ 3,030,528	\$ 3,192,603
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 138,233	\$ 141,787
Accrued liabilities	136,260	219,412
Derivatives	84,015	67,531
Total current liabilities	358,508	428,730
Long-term liabilities:		
Long-term debt, net	1,265,196	1,282,797
Derivatives	35,127	30,209
Asset retirement obligations	68,325	66,595
Deferred tax liabilities	451,574	476,548
Other long-term liabilities	8,394	10,612
Total long-term liabilities	1,828,616	1,866,761
Shareholders' equity:		
Preference shares, \$0.01 par value; 200,000,000 authorized shares; zero issued at March 31, 2018 and December 31, 2017	—	—
Common shares, \$0.01 par value; 2,000,000,000 authorized shares; 404,979,468 and 398,599,457 issued at March 31, 2018 and December 31, 2017, respectively	4,050	3,986
Additional paid-in capital	2,011,489	2,014,525
Accumulated deficit	(1,123,428)	(1,073,202)
Treasury stock, at cost, 9,263,269 and 9,188,819 shares at March 31, 2018 and December 31, 2017, respectively	(48,707)	(48,197)
Total shareholders' equity	843,404	897,112
Total liabilities and shareholders' equity	\$ 3,030,528	\$ 3,192,603

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Revenues and other income:		
Oil and gas revenue	\$ 127,196	\$ 103,432
Other income, net	(19)	48,534
Total revenues and other income	127,177	151,966
Costs and expenses:		
Oil and gas production	46,768	19,886
Facilities insurance modifications, net	8,449	2,574
Exploration expenses	21,193	105,714
General and administrative	21,883	15,787
Depletion and depreciation	54,277	34,978
Interest and other financing costs, net	25,694	16,786
Derivatives, net	38,478	(37,857)
Gain on equity method investments, net	(18,696)	—
Other expenses, net	3,705	762
Total costs and expenses	201,751	158,630
Loss before income taxes	(74,574)	(6,664)
Income tax expense (benefit)	(24,348)	22,177
Net loss	\$ (50,226)	\$ (28,841)
Net loss per share:		
Basic	\$ (0.13)	\$ (0.07)
Diluted	\$ (0.13)	\$ (0.07)
Weighted average number of shares used to compute net loss per share:		
Basic	395,600	387,312
Diluted	395,600	387,312

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Shares		Additional	Accumulated	Treasury	Total
	Shares	Amount	Paid-in Capital	Deficit	Stock	
Balance as of December 31, 2017	398,599	\$ 3,986	\$ 2,014,525	\$ (1,073,202)	\$ (48,197)	\$ 897,112
Equity-based compensation	—	—	8,392	—	—	8,392
Restricted stock awards and units	6,380	64	(64)	—	—	—
Purchase of treasury stock / tax withholdings	—	—	(11,364)	—	(510)	(11,874)
Net loss	—	—	—	(50,226)	—	(50,226)
Balance as of March 31, 2018	<u>404,979</u>	<u>\$ 4,050</u>	<u>\$ 2,011,489</u>	<u>\$ (1,123,428)</u>	<u>\$ (48,707)</u>	<u>\$ 843,404</u>

See accompanying notes.

KOSMOS ENERGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Operating activities		
Net loss	\$ (50,226)	\$ (28,841)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depletion, depreciation and amortization	56,717	37,529
Deferred income taxes	(24,697)	22,133
Unsuccessful well costs	43	88
Change in fair value of derivatives	38,966	(38,177)
Cash settlements on derivatives, net (including \$(19.7) million and \$11.4 million on commodity hedges during 2018 and 2017)	(20,397)	11,153
Equity-based compensation	8,017	9,830
Loss on extinguishment of debt	4,056	—
Distributions in excess of equity in earnings	5,234	—
Other	(478)	621
Changes in assets and liabilities:		
(Increase) decrease in receivables	67,937	(44,853)
Increase in inventories	(7,849)	(10,044)
(Increase) decrease in prepaid expenses and other	(2,439)	352
Decrease in accounts payable	(3,554)	(2,905)
Increase (decrease) in accrued liabilities	(88,346)	12,732
Net cash used in operating activities	(17,016)	(30,382)
Investing activities		
Oil and gas assets	(34,712)	(31,810)
Other property	(1,757)	(271)
Return of investment from KTIPI	41,070	—
Proceeds on sale of assets	—	203,919
Net cash provided by investing activities	4,601	171,838
Financing activities		
Payments on long-term debt	—	(150,000)
Purchase of treasury stock / tax withholdings	(11,874)	(1,115)
Deferred financing costs	(24,969)	—
Net cash used in financing activities	(36,843)	(151,115)
Net decrease in cash, cash equivalents and restricted cash	(49,258)	(9,659)
Cash, cash equivalents and restricted cash at beginning of period	304,986	273,195
Cash, cash equivalents and restricted cash at end of period	<u>\$ 255,728</u>	<u>\$ 263,536</u>
Supplemental cash flow information		
Cash paid for:		
Interest	\$ 33,280	\$ 20,559
Income taxes	\$ 21,243	\$ —
Non-cash activity:		
Conversion of joint interest billings receivable to long-term note receivable	\$ —	\$ 4,042
Contribution to equity method investment	\$ —	\$ 133,894

See accompanying notes.

KOSMOS ENERGY LTD.Notes to Consolidated Financial Statements
(Unaudited)**1. Organization**

Kosmos Energy Ltd. was incorporated pursuant to the laws of Bermuda in January 2011 to become a holding company for Kosmos Energy Holdings. Kosmos Energy Holdings is a privately held Cayman Islands company that was formed in March 2004. As a holding company, Kosmos Energy Ltd.'s management operations are conducted through a wholly owned subsidiary, Kosmos Energy, LLC. The terms "Kosmos," the "Company," "we," "us," "our," "ours," and similar terms refer to Kosmos Energy Ltd. and its wholly owned subsidiaries, unless the context indicates otherwise.

Kosmos is a pure play deepwater oil and gas company with growing production, a pipeline of development opportunities and a balanced exploration portfolio along the Atlantic Margins. Our assets include growing production offshore Ghana and Equatorial Guinea, a competitively positioned Tortue gas project in Mauritania and Senegal and a sustainable exploration program balanced between proven basins (Equatorial Guinea), emerging basins (Mauritania, Senegal and Suriname) and frontier basins (Cote d'Ivoire and Sao Tome and Principe). Kosmos is listed on the New York Stock Exchange and London Stock Exchange and is traded under the ticker symbol KOS.

We have one reportable segment, which is the exploration and production of oil and natural gas. Substantially all of our long-lived assets and all of our product sales are related to production located offshore Ghana. We also have an equity method investment generating revenues with operations offshore Equatorial Guinea.

2. Accounting Policies**General**

The interim-period financial information presented in the consolidated financial statements included in this report is unaudited and, in the opinion of management, includes all adjustments of a normal recurring nature necessary to present fairly the consolidated financial position as of March 31, 2018, and the changes in the consolidated statements of shareholders' equity, consolidated results of operations, and the consolidated cash flows for the three months ended March 31, 2018 and 2017. The results of the interim periods shown in this report are not necessarily indicative of the final results to be expected for the full year. The consolidated financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by Generally Accepted Accounting Principles in the United States of America ("GAAP") have been condensed or omitted from these interim consolidated financial statements. These consolidated financial statements and the accompanying notes should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2017, included in our annual report on Form 10-K.

Reclassifications

Certain prior period amounts have been reclassified to conform with the current presentation. Such reclassifications had no impact on our reported net loss, current assets, total assets, current liabilities, total liabilities, shareholders' equity or cash flows.

Cash, Cash Equivalents and Restricted Cash

	March 31, 2018	December 31, 2017
	(In thousands)	
Cash and cash equivalents	\$ 198,841	\$ 233,412
Restricted cash - current	35,378	56,380
Restricted cash - long-term	21,509	15,194
Total cash, cash equivalents and restricted cash	<u>\$ 255,728</u>	<u>\$ 304,986</u>

Cash and cash equivalents include demand deposits and funds invested in highly liquid instruments with original maturities of three months or less at the date of purchase.

In accordance with certain of our petroleum contracts, we have posted letters of credit related to performance guarantees for our minimum work obligations. These letters of credit are cash collateralized in accounts held by us and as such are classified as restricted cash. Upon completion of the minimum work obligations and/or entering into the next phase of the petroleum contract, the requirement to post the existing letters of credit will be satisfied and the cash collateral will be released. However, additional letters of credit may be required should we choose to move into the next phase of certain of our petroleum contracts. As of March 31, 2018 and December 31, 2017, we had \$35.4 million and \$31.6 million, respectively, of current restricted cash and \$21.5 million and \$15.2 million, respectively, of long-term restricted cash used to collateralize performance guarantees related to our petroleum contracts.

In addition, prior to our commercial debt facility (the "Facility") being amended and restated, we were required to maintain a restricted cash balance that is sufficient to meet the payment of interest and fees for the next six-month period on the 7.875% Senior Secured Notes due 2021 ("Senior Notes") plus the Corporate Revolver or the Facility, whichever is greater. As of December 31, 2017, we had \$24.8 million in current restricted cash to meet this requirement. Under the amended and restated Facility, we are no longer required to maintain a restricted cash balance provided we are compliant with certain financial covenant ratios.

Inventories

Inventories consisted of \$67.0 million and \$63.5 million of materials and supplies and \$12.7 million and \$8.4 million of hydrocarbons as of March 31, 2018 and December 31, 2017, respectively. The Company's materials and supplies inventory primarily consists of casing and wellheads and is stated at the lower of cost, using the weighted average cost method, or net realizable value.

Hydrocarbon inventory is carried at the lower of cost, using the weighted average cost method, or net realizable value. Hydrocarbon inventory costs include expenditures and other charges incurred in bringing the inventory to its existing condition. Selling expenses and general and administrative expenses are reported as period costs and excluded from inventory costs.

Revenue Recognition

We use the sales method of accounting for oil and gas revenues. Under this method, we recognize revenues on the volumes sold. The volumes sold may be more or less than the volumes to which we are entitled based on our ownership interest in the property. These differences result in a condition known in the industry as a production imbalance. A receivable or liability is recognized only to the extent that we have an imbalance on a specific property greater than the expected remaining proved reserves on such property. As of March 31, 2018 and December 31, 2017, we had no oil and gas imbalances recorded in our consolidated financial statements.

Our oil and gas revenues are recognized based on the product that has transferred to the customer during the lifting process as of a point in time when control has transferred, usually over a 24 hour period, and based on provisional price contracts which contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from oil sales at the spot price on the date of sale. The embedded derivative, which is not designated as a hedge, is marked to market through oil and gas revenue each period until the final settlement occurs, which generally is limited to the month after the sale.

Oil and gas revenue is composed of the following:

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Revenue from contracts with customers - Ghana	\$ 128,037	\$ 103,441
Provisional oil sales contracts	(841)	(9)
Oil and gas revenue	<u>\$ 127,196</u>	<u>\$ 103,432</u>

Recent Accounting Standards

Recently Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition," and most industry-specific guidance. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC. The new guidance is effective for annual reporting periods beginning after December 15, 2017 for public companies. Entities have the option of using either a full retrospective or modified retrospective approach to adopt ASU 2014-09. The Company adopted the new standard during the first quarter of 2018 using the modified retrospective approach and there is no impact to our previously recorded revenue under the new standard.

In March 2018, the FASB issued ASU 2018-05, "Income Taxes (Topic 740)." ASU 2018-05 was issued to include amendments to SEC paragraphs pursuant to SEC Staff Accounting Bulletin No. 118 ("SAB 118") and addresses certain circumstances that may arise for registrants in accounting for the income tax effects of the Tax Cut and Jobs Act (the "Tax Reform Act"), including when certain income tax effects of the Tax Reform Act are incomplete by the time the financial statements are issued.

Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 was issued to increase transparency and comparability across organizations by recognizing substantially all leases on the balance sheet through the concept of right-of-use lease assets and liabilities. Under current accounting guidance, lessees do not recognize lease assets or liabilities for leases classified as operating leases. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years with early adoption permitted. The new leasing standard requires the modified retrospective adoption method. The Company is in the process of evaluating the impact of this accounting standard on its consolidated financial statements.

3. Acquisitions and Divestitures

In March 2018, as part of our alliance with BP, we entered into petroleum contracts covering Blocks 10 and 13 with the Democratic Republic of Sao Tome and Principe. We presently have a 35% participating interest in the blocks and the operator, BP, holds a 50% participating interest. The national petroleum agency, Agencia Nacional Do Petroleo De Sao Tome E Principe ("ANP STP") has a 15% carried interest in the blocks through exploration.

In March 2018, we signed a farm-in agreement with a subsidiary of Ophir Energy plc ("Ophir") for Block EG-24, offshore Equatorial Guinea, whereby we acquired a 40% participating interest. As part of the agreement, we reimbursed a portion of Ophir's previously incurred exploration costs and will fully carry Ophir's share of the costs of a planned 3D seismic program as well as pay a disproportionate share of the well commitment should we enter the second exploration sub-period.

In the fourth quarter of 2017, through a joint venture with an affiliate of Trident Energy ("Trident"), we acquired all of the equity interest of Hess International Petroleum Inc., a subsidiary of Hess Corporation ("Hess"), which holds an 85% paying interest (80.75% revenue interest) in the Ceiba Field and Okume Complex assets located in Block G offshore Equatorial Guinea. Under the terms of the agreement, Kosmos and Trident each own 50% of Hess International Petroleum Inc, which was subsequently renamed Kosmos-Trident International Petroleum Inc. ("KTIPI"). Kosmos is primarily responsible for exploration and subsurface evaluation while Trident is primarily responsible for production operations and optimization. The gross acquisition price was \$650 million effective as of January 1, 2017. Kosmos paid net cash consideration of approximately \$231 million at close with a combination of cash on hand and amounts borrowed under the Facility. The transaction is accounted for as an equity method investment.

In October 2017, we entered into petroleum contracts covering Blocks EG-21, S, and W with the Republic of Equatorial Guinea. We presently have an 80% interest and are the operator in all three blocks, but pursuant to an agreement with Trident we expect to assign a 40% interest in the blocks to an affiliate of Trident. The Equatorial Guinean national oil company, Guinea Equatorial De Petroleos ("GEPetrol"), currently has a 20% carried participating interest during the exploration period. Should a commercial discovery be made, GEPetrol's 20% carried interest will convert to a 20% participating interest. The petroleum contracts cover approximately 6,000 square kilometers, with a first exploration period of five years from the effective date (March 2018). The first exploration period consists of two sub-periods of three and two years, respectively. The first exploration sub-period work

program includes a 6,000 square kilometer 3D seismic acquisition requirement across the three blocks. Upon the assignment of a 40% interest to the Trident affiliate noted above, interests in these three blocks will be 40% Kosmos, 40% Trident and 20% GEPetrol.

In December 2017, as part of our alliance with BP, we entered into petroleum contracts covering Blocks CI-526, CI-602, CI-603, CI-707 and CI-708 with the Government of Cote d'Ivoire. We have a 45% participating interest and are the operator in all five blocks. BP has a 45% participating interest in the blocks and the Cote d'Ivoire national oil company, PETROCI Holding ("PETROCI"), currently has a 10% carried interest. The petroleum contracts cover approximately 17,000 square kilometers, with a first exploration period of three years. The first exploration period work program includes a 12,000 square kilometer 3D seismic acquisition across the five blocks.

4. Joint Interest Billings

The Company's joint interest billings consist of receivables from partners with interests in common oil and gas properties operated by the Company. Joint interest billings are classified on the face of the consolidated balance sheets as current and long-term receivables based on when collection is expected to occur.

In 2014, the Ghana National Petroleum Corporation ("GNPC") notified us and our block partners of its request for the contractor group to pay GNPC's 5% share of the Tweneboa, Enyenra and Ntomme ("TEN") development costs. The block partners will be reimbursed for such costs plus interest out of a portion of GNPC's TEN production revenues. As of March 31, 2018 and December 31, 2017, the current portion of the joint interest billing receivables due from GNPC for the TEN fields development costs were \$14.0 million and \$15.2 million, respectively, and the long-term portion were \$28.0 million and \$31.6 million, respectively.

5. Property and Equipment

Property and equipment is stated at cost and consisted of the following:

	March 31, 2018	December 31, 2017
	(In thousands)	
Oil and gas properties:		
Proved properties	\$ 1,661,368	\$ 1,653,616
Unproved properties	485,281	465,109
Support equipment and facilities	1,437,010	1,427,054
Total oil and gas properties	3,583,659	3,545,779
Accumulated depletion	(1,286,413)	(1,234,806)
Oil and gas properties, net	2,297,246	2,310,973
Other property	42,781	39,405
Accumulated depreciation	(33,490)	(32,550)
Other property, net	9,291	6,855
Property and equipment, net	\$ 2,306,537	\$ 2,317,828

We recorded depletion expense of \$51.6 million and \$32.5 million for the three months ended March 31, 2018 and 2017, respectively.

6. Suspended Well Costs

The following table reflects the Company's capitalized exploratory well costs on completed wells as of and during the three months ended March 31, 2018. The table excludes \$42.7 thousand in costs that were capitalized and subsequently expensed during the same period.

	March 31, 2018
	(In thousands)
Beginning balance	\$ 410,113
Additions to capitalized exploratory well costs pending the determination of proved reserves	2,018
Reclassification due to determination of proved reserves	—
Capitalized exploratory well costs charged to expense	—
Ending balance	\$ 412,131

The following table provides an aging of capitalized exploratory well costs based on the date drilling was completed and the number of projects for which exploratory well costs have been capitalized for more than one year since the completion of drilling:

	March 31, 2018	December 31, 2017
	(In thousands, except well counts)	
Exploratory well costs capitalized for a period of one year or less	\$ 67,666	\$ 67,159
Exploratory well costs capitalized for a period of one to two years	292,113	291,252
Exploratory well costs capitalized for a period of three to six years	52,352	51,702
Ending balance	\$ 412,131	\$ 410,113
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	5	5

As of March 31, 2018, the projects with exploratory well costs capitalized for more than one year since the completion of drilling are related to the Akasa discovery in the West Cape Three Points ("WCTP") Block and the Wawa discovery in the DT Block, which are all located offshore Ghana, the Greater Tortue discovery which crosses the Mauritania and Senegal maritime border, the BirAllah discovery (formerly known as the Marsouin discovery) in Block C8 offshore Mauritania and the Teranga discovery in the Cayar Offshore Profond block offshore Senegal.

Akasa Discovery — We are currently in discussions with the government of Ghana regarding additional technical studies and evaluation that we want to conduct before we are able to make a determination regarding commerciality of the discovery. If we determine the discovery to be commercial, a declaration of commerciality would be provided and a PoD would be prepared and submitted to Ghana's Ministry of Energy, as required under the WCTP petroleum contract.

Wawa Discovery — We are currently in discussions with the Ministry of Energy with respect to conducting further subsurface and development concept evaluation in an effort to enlarge the TEN development and production area to capture the resource accumulation located in the Wawa Discovery Area for a potential future integrated development with the TEN fields.

Greater Tortue Discovery — In May 2015, we completed the Tortue-1 exploration well in Block C8 offshore Mauritania which encountered hydrocarbon pay. Two additional wells have been drilled in the Greater Tortue Discovery area, Ahmeyim-2 in Mauritania and Guembeul-1 in Senegal. We completed a drill stem test on the Tortue-1 well in August 2017, which confirmed the production capabilities of the Greater Tortue Discovery. Data acquired from the drill stem test will be used to further optimize field development and to refine process design parameters critical to the Front End Engineering Design ("FEED") process. Following additional evaluation, a decision regarding commerciality will be made.

BirAllah Discovery — In November 2015, we completed the Marsouin-1 exploration well (renamed BirAllah) in the northern part of Block C8 offshore Mauritania which encountered hydrocarbon pay. Following additional evaluation, a decision regarding commerciality will be made.

Teranga Discovery — In May 2016, we completed the Teranga-1 exploration well in the Cayar Offshore Profond block offshore Senegal which encountered hydrocarbon pay. Following additional evaluation, a decision regarding commerciality will be made.

7. Equity Method Investments

Kosmos BP Senegal Limited ("KBSL")

As part of our transaction in Senegal with BP in February 2017, our participating interests in the Cayar Offshore Profond and Saint Louis Offshore Profond blocks (the "Senegal Blocks") were contributed to KBSL, a corporate joint venture in which we owned a 50.01% interest.

In October 2017, KBSL transferred a 30% participating interest in the Senegal Blocks to BP Senegal Investments Limited in exchange for its outstanding shares of KBSL. As a result, KBSL became a wholly-owned subsidiary of Kosmos, and no longer is accounted for under the equity method of accounting. After the transfer, KBSL has a 30% participating interest in the Senegal Blocks.

Prior to the acquisition of the remaining outstanding shares of KBSL in October 2017, our investment in KBSL qualified for the equity method of accounting. Our initial contribution to KBSL was \$133.9 million, which was recorded at our carrying costs.

Equatorial Guinea

As part of our acquisition of KTIPI, a corporate joint venture in which we own a 50% interest, we acquired an indirect participating interest in Block G offshore Equatorial Guinea. The objective of this transaction was to acquire the Ceiba Field and Okume Complex with the intent to optimize production and increase reserves. Below is a summary of financial information for KTIPI presented on a 100% basis.

	March 31, 2018	December 31, 2017
(In thousands)		
Assets		
Total current assets	\$ 238,567	\$ 179,070
Property and equipment, net	338,096	345,611
Other assets	555	567
Total assets	\$ 577,218	\$ 525,248
Liabilities and shareholders' equity		
Total current liabilities	\$ 177,807	\$ 106,769
Total long term liabilities	552,727	565,591
Shareholders' equity:		
Total shareholders' equity	(153,316)	(147,112)
Total liabilities and shareholders' equity	\$ 577,218	\$ 525,248

	Three Months Ended March 31, 2018	
	(In thousands)	
Revenues and other income:		
Oil and gas revenue	\$	246,354
Other income		287
Total revenues and other income		246,641
Costs and expenses:		
Oil and gas production		51,700
Depletion and depreciation		54,070
Other expenses, net		(79)
Total costs and expenses		105,691
Income before income taxes		140,950
Income tax expense		49,632
Net income	\$	91,318
Kosmos' share of net income	\$	45,659
Basis difference amortization(1)		26,963
Equity in earnings - KTIPI	\$	18,696

- (1) The basis difference, which is associated with oil and gas properties and subject to amortization, has been allocated to the Ceiba Field and Okume Complex. We amortize the basis difference using the unit-of-production method.

When evaluating our equity method investments for impairment, we review our ability to recover the carrying amount of such investments or the entity's ability to sustain earnings that justify its carrying amount. As of March 31, 2018, we determined that we had the ability to recover the carrying amount of our equity method investment in KTIPI. As such, no impairment has been recorded. Our initial investment has been increased for our net share of equity in earnings as adjusted for our basis differential and reduced by cash dividends received. During the three months ended March 31, 2018, we received \$65 million of cash dividends from KTIPI.

8. Debt

	March 31, 2018	December 31, 2017
	(In thousands)	
Outstanding debt principal balances:		
Facility	\$ 800,000	\$ 800,000
Senior Notes	525,000	525,000
Total	1,325,000	1,325,000
Unamortized deferred financing costs and discounts(1)	(59,804)	(42,203)
Long-term debt, net	\$ 1,265,196	\$ 1,282,797

- (1) Includes \$42.3 million and \$23.6 million of unamortized deferred financing costs related to the Facility and \$17.5 million and \$18.6 million of unamortized deferred financing costs and discounts related to the Senior Notes as of March 31, 2018 and December 31, 2017, respectively.

Facility

In February 2018, the Company amended and restated the Facility with a total commitment of \$1.5 billion from a number of financial institutions with additional commitments up to \$0.5 billion being available if the existing financial institutions increase their commitments or if commitments from new financial institutions are added. The borrowing base calculation includes value related to the Jubilee, TEN, Ceiba and Okume fields. The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities. As part of the debt refinancing in February 2018, the repayment of borrowings under the existing facility attributable to financial institutions that did not participate in the amended Facility was accounted for as an extinguishment of debt, and \$4.1 million of existing unamortized debt issuance costs and deferred interest attributable to those participants was expensed in interest and other financing costs, net in the first quarter of 2018. As of March 31, 2018, we have \$42.3 million of unamortized issuance costs related to the Facility, which will be amortized over the remaining term of the Facility. As of March 31, 2018, borrowings under the Facility totaled \$800.0 million and the undrawn availability under the Facility was \$700.0 million.

In May 2018, the Company voluntarily repaid \$75.0 million of outstanding borrowings under the Facility, bringing the outstanding borrowings to \$725.0 million.

The Facility provides a revolving credit and letter of credit facility. The availability period for the revolving credit facility, as amended in February 2018 expires one month prior to the final maturity date. The letter of credit facility expires on the final maturity date. The available facility amount is subject to borrowing base constraints and, beginning on March 31, 2022, outstanding borrowings will be constrained by an amortization schedule. The Facility has a final maturity date of March 31, 2025. As of March 31, 2018, we had no letters of credit issued under the Facility.

We were in compliance with the financial covenants contained in the Facility as of March 31, 2018 (the most recent assessment date). The Facility contains customary cross default provisions.

Corporate Revolver

Our Corporate Revolver, from a number of financial institutions, has borrowing capacity to \$400.0 million and is available for all subsidiaries for general corporate purposes and for oil and gas exploration, appraisal and development programs. As of March 31, 2018, we have \$1.8 million of net deferred financing costs related to the Corporate Revolver, which will be amortized over the remaining term, which expires in November 2018. These deferred financing costs are included in the Other assets section of the consolidated balance sheets.

As of March 31, 2018, there were no outstanding borrowings under the Corporate Revolver. We were in compliance with the financial covenants contained in the Corporate Revolver as of March 31, 2018 (the most recent assessment date). The Corporate Revolver contains customary cross default provisions.

Revolving Letter of Credit Facility

We have a revolving letter of credit facility agreement (“LC Facility”), which matures in July 2019. During the first quarter of 2018, the LC Facility size was increased to \$73.0 million to facilitate the issuance of additional letters of credit. As of March 31, 2018, there were thirteen outstanding letters of credit totaling \$72.8 million under the LC Facility. The LC Facility contains customary cross default provisions.

7.875% Senior Secured Notes due 2021

During August 2014, the Company issued \$300.0 million of Senior Notes and received net proceeds of approximately \$292.5 million after deducting discounts, commissions and deferred financing costs. The Company used the net proceeds to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes.

During April 2015, we issued an additional \$225.0 million of Senior Notes and received net proceeds of \$206.8 million after deducting discounts, commissions and other expenses. We used the net proceeds to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes. The additional \$225.0 million of Senior Notes have identical terms to the initial \$300.0 million of Senior Notes, other than the date of issue, the initial price, the first interest payment date and the first date from which interest accrued.

The Senior Notes mature on August 1, 2021. Interest is payable semi-annually in arrears each February 1 and August 1 commencing on February 1, 2015 for the initial \$300.0 million Senior Notes and August 1, 2015 for the additional \$225.0 million Senior Notes. The Senior Notes are secured (subject to certain exceptions and permitted liens) by a first ranking fixed equitable

charge on all shares held by us in our direct subsidiary, Kosmos Energy Holdings. The Senior Notes are currently guaranteed on a subordinated, unsecured basis by our existing restricted subsidiaries that guarantee the Facility and the Corporate Revolver, and, in certain circumstances, the Senior Notes will become guaranteed by certain of our other existing or future restricted subsidiaries.

At March 31, 2018, the estimated repayments of debt during the five fiscal year periods and thereafter are as follows:

	Payments Due by Year						
	Total	2018(2)	2019	2020	2021	2022	Thereafter
	(In thousands)						
Principal debt repayments(1)	\$ 1,325,000	\$ —	\$ —	\$ —	\$ 525,000	\$ —	\$ 800,000

(1) Includes the scheduled principal maturities for the \$525.0 million aggregate principal amount of Senior Notes issued in August 2014 and April 2015 and the Facility. The scheduled maturities of debt related to the Facility are based on, as of March 31, 2018, our level of borrowings and our estimated future available borrowing base commitment levels in future periods. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter. As of March 31, 2018, there were no borrowings under the Corporate Revolver.

(2) Represents payments for the period April 1, 2018 through December 31, 2018.

Interest and other financing costs, net

Interest and other financing costs, net incurred during the periods is comprised of the following:

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Interest expense	\$ 24,893	\$ 23,181
Amortization—deferred financing costs	2,440	2,551
Loss on extinguishment of debt	4,056	—
Capitalized interest	(4,820)	(9,559)
Deferred interest	(1,256)	315
Interest income	(948)	(980)
Other, net	1,329	1,278
Interest and other financing costs, net	\$ 25,694	\$ 16,786

9. Derivative Financial Instruments

We use financial derivative contracts to manage exposures to commodity price and interest rate fluctuations. We do not hold or issue derivative financial instruments for trading purposes.

We manage market and counterparty credit risk in accordance with our policies and guidelines. In accordance with these policies and guidelines, our management determines the appropriate timing and extent of derivative transactions. We have included an estimate of non-performance risk in the fair value measurement of our derivative contracts as required by ASC 820 — Fair Value Measurements and Disclosures.

Oil Derivative Contracts

The following table sets forth the volumes in barrels underlying the Company's outstanding oil derivative contracts and the weighted average Dated Brent prices per Bbl for those contracts as of March 31, 2018. Volumes and weighted average prices are net of any offsetting derivative contracts entered into.

Term	Type of Contract	MBbl	Weighted Average Dated Brent Price per Bbl						
			Net Deferred Premium Payable/(Receivable)	Swap	Sold Put	Floor	Ceiling	Call	
2018:									
April — December	Swap with puts	1,500	\$ —	\$ 54.32	\$ 40.00	\$ —	\$ —	\$ —	\$ —
July — December	Swap with puts	2,000	—	57.96	45.00	—	—	—	—
April — June	Swaps	500	—	57.25	—	—	—	—	—
April — December	Three-way collars	2,193	0.74	—	41.57	56.57	65.90	—	—
April — December	Four-way collars	2,252	1.06	—	40.00	50.00	61.33	70.00	—
April — December	Sold calls(1)	1,505	—	—	—	—	65.00	—	—
July — December	Purchased Calls	1,000	—	—	—	—	—	70.00	—
2019:									
January — December	Three-way collars	9,500	\$ (0.06)	\$ —	\$ 43.16	\$ 52.63	\$ 65.01	\$ —	\$ —
January — December	Sold calls(1)	913	—	—	—	—	80.00	—	—

(1) Represents call option contracts sold to counterparties to enhance other derivative positions.

In April 2018, we entered into three-way collar contracts for 1.0 MMBbl from January 2019 through December 2019 with a sold put price of \$50.00 per barrel, a floor price of \$60.00 per barrel and a ceiling price of \$75.00 per barrel. The contracts are indexed to Dated Brent prices.

Interest Rate Derivative Contracts

The following table summarizes our capped interest rate swaps whereby we pay a fixed rate of interest if LIBOR is below the cap, and pay the market rate less the spread between the cap (sold call) and the fixed rate of interest if LIBOR is above the cap as of March 31, 2018:

Term	Type of Contract	Floating Rate	Weighted Average		
			Notional	Swap	Sold Call
(In thousands)					
April 2018 — December 2018	Capped swap	1-month LIBOR	\$ 200,000	1.23%	3.00%

The following tables disclose the Company's derivative instruments as of March 31, 2018 and December 31, 2017 and gain/(loss) from derivatives during the three months ended March 31, 2018 and 2017, respectively:

Type of Contract	Balance Sheet Location	Estimated Fair Value	
		March 31, 2018	December 31, 2017
(In thousands)			
Derivatives not designated as hedging instruments:			
Derivative assets:			
Commodity(1)	Derivatives assets—current	\$ 2,279	\$ 665
Interest rate	Derivatives assets—current	1,182	1,017
Commodity(2)	Derivatives assets—long-term	1,093	39
Derivative liabilities:			
Commodity(3)	Derivatives liabilities—current	(84,015)	(67,531)
Commodity(4)	Derivatives liabilities—long-term	(35,127)	(30,209)
Total derivatives not designated as hedging instruments		\$ (114,588)	\$ (96,019)

- (1) Includes net deferred premiums payable of \$0.4 million and net deferred premiums receivable of \$0.8 million related to commodity derivative contracts as of March 31, 2018 and December 31, 2017, respectively.
- (2) Includes net deferred premiums receivable of \$4.0 million and \$0.1 million related to commodity derivative contracts as of March 31, 2018 and December 31, 2017, respectively.
- (3) Includes net deferred premiums payable of \$5.3 million and \$5.6 million related to commodity derivative contracts as of March 31, 2018 and December 31, 2017, respectively.
- (4) Includes net deferred premiums payable of \$3.5 million and \$4.8 million related to commodity derivative contracts as of March 31, 2018 and December 31, 2017, respectively.

Type of Contract	Location of Gain/(Loss)	Amount of Gain/(Loss)	
		Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
(In thousands)			
Derivatives not designated as hedging instruments:			
Commodity(1)	Oil and gas revenue	\$ (841)	\$ (8)
Commodity	Derivatives, net	(38,478)	37,857
Interest rate	Interest expense	353	328
Total derivatives not designated as hedging instruments		\$ (38,966)	\$ 38,177

- (1) Amounts represent the change in fair value of our provisional oil sales contracts.

Offsetting of Derivative Assets and Derivative Liabilities

Our derivative instruments which are subject to master netting arrangements with our counterparties only have the right of offset when there is an event of default. As of March 31, 2018 and December 31, 2017, there was not an event of default and, therefore, the associated gross asset or gross liability amounts related to these arrangements are presented on the consolidated balance sheets.

10. Fair Value Measurements

In accordance with ASC Topic 820 — Fair Value Measurements and Disclosures, fair value measurements are based upon inputs that market participants use in pricing an asset or liability, which are classified into two categories: observable inputs and unobservable inputs. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect a company's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. We prioritize the inputs used in measuring fair value into the following fair value hierarchy:

- Level 1 — quoted prices for identical assets or liabilities in active markets.
- Level 2 — quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 — unobservable inputs for the asset or liability. The fair value input hierarchy level to which an asset or liability measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2018 and December 31, 2017, for each fair value hierarchy level:

	Fair Value Measurements Using:				
	Quoted Prices in		Significant Other		Significant
	Active Markets for		Observable Inputs		Unobservable Inputs
	Identical Assets				
	(Level 1)	(Level 2)	(Level 3)	Total	
(In thousands)					
March 31, 2018					
Assets:					
Commodity derivatives	\$ —	\$ 3,372	\$ —	\$ 3,372	
Interest rate derivatives	—	1,182	—	1,182	
Liabilities:					
Commodity derivatives	—	(119,142)	—	(119,142)	
Total	\$ —	\$ (114,588)	\$ —	\$ (114,588)	
December 31, 2017					
Assets:					
Commodity derivatives	\$ —	\$ 704	\$ —	\$ 704	
Interest rate derivatives	—	1,017	—	1,017	
Liabilities:					
Commodity derivatives	—	(97,740)	—	(97,740)	
Total	\$ —	\$ (96,019)	\$ —	\$ (96,019)	

The book values of cash and cash equivalents and restricted cash approximate fair value based on Level 1 inputs. Joint interest billings, oil sales and other receivables, and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. Our long-term receivables, after any allowances for doubtful accounts, and other long-term assets approximate fair value. The estimates of fair value of these items are based on Level 2 inputs.

Commodity Derivatives

Our commodity derivatives represent crude oil collars, put options, call options and swaps for notional barrels of oil at fixed Dated Brent oil prices. The values attributable to our oil derivatives are based on (i) the contracted notional volumes, (ii) independent active futures price quotes for Dated Brent, (iii) a credit-adjusted yield curve applicable to each counterparty by reference to the credit default swap (“CDS”) market and (iv) an independently sourced estimate of volatility for Dated Brent. The volatility estimate was provided by certain independent brokers who are active in buying and selling oil options and was corroborated by market-quoted volatility factors. The deferred premium is included in the fair market value of the commodity derivatives. See Note 9 — Derivative Financial Instruments for additional information regarding the Company’s derivative instruments.

Provisional Oil Sales

The value attributable to provisional oil sales derivatives is based on (i) the sales volumes and (ii) the difference in the independent active futures price quotes for Dated Brent over the term of the pricing period designated in the sales contract and the spot price on the lifting date.

Interest Rate Derivatives

Our interest rate derivatives consist of interest rate swaps, whereby the Company pays a fixed rate of interest and the counterparty pays a variable LIBOR-based rate, and capped interest rate swaps, whereby the Company pays a fixed rate of interest if LIBOR is below the cap and pays the market rate less the spread between the cap and the fixed rate of interest if LIBOR is above the cap. The values attributable to the Company’s interest rate derivative contracts are based on (i) the contracted notional amounts, (ii) LIBOR yield curves provided by independent third parties and corroborated with forward active market-quoted LIBOR yield curves and (iii) a credit-adjusted yield curve as applicable to each counterparty by reference to the CDS market.

Debt

The following table presents the carrying values and fair values at March 31, 2018 and December 31, 2017:

	March 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Senior Notes	\$ 508,630	\$ 537,773	\$ 507,600	\$ 542,472
Facility	800,000	800,000	800,000	800,000
Total	\$ 1,308,630	\$ 1,337,773	\$ 1,307,600	\$ 1,342,472

The carrying value of our Senior Notes represents the principal amounts outstanding less unamortized discounts. The fair value of our Senior Notes is based on quoted market prices, which results in a Level 1 fair value measurement. The carrying value of the Facility approximates fair value since it is subject to short-term floating interest rates that approximate the rates available to us for those periods.

11. Equity-based Compensation

Restricted Stock Awards and Restricted Stock Units

We record equity-based compensation expense equal to the fair value of share-based payments over the vesting periods of the Long-Term Incentive Plan (“LTIP”) awards. We recorded compensation expense from awards granted under our LTIP of \$8.0 million and \$9.8 million during the three months ended March 31, 2018 and 2017, respectively. The total tax benefit for the three months ended March 31, 2018 and 2017 was \$0.9 million and \$3.3 million, respectively. Additionally, we expensed a tax shortfall related to equity-based compensation of \$0.2 million and \$0.5 million for the three months ended March 31, 2018 and 2017, respectively. The fair value of awards vested during the three months ended March 31, 2018 and 2017 was approximately \$56.6 million and \$8.8 million, respectively. The Company granted both restricted stock awards and restricted stock units with service vesting criteria and granted both restricted stock awards and restricted stock units with a combination of market and service vesting criteria under the LTIP. Substantially all these awards vest over three or four year periods. Restricted stock awards are issued and included in the number of outstanding shares upon the date of grant and, if such awards are forfeited, they become treasury stock. Upon vesting, restricted stock units become issued and outstanding stock.

The following table reflects the outstanding restricted stock awards as of March 31, 2018:

	Service Vesting Restricted Stock Awards	Weighted- Average Grant-Date Fair Value
	(In thousands)	
Outstanding at December 31, 2017	220	\$ 8.64
Granted	—	—
Forfeited	—	—
Vested	(220)	8.64
Outstanding at March 31, 2018	—	—

The following table reflects the outstanding restricted stock units as of March 31, 2018:

	Service Vesting Restricted Stock Units	Weighted- Average Grant-Date Fair Value	Market / Service Vesting Restricted Stock Units	Weighted- Average Grant-Date Fair Value
	(In thousands)		(In thousands)	
Outstanding at December 31, 2017	4,183	\$ 6.39	8,452	\$ 11.26
Granted(1)	1,893	6.99	7,259	12.42
Forfeited	(23)	6.57	(25)	15.71
Vested	(1,524)	5.88	(6,519)	12.99
Outstanding at March 31, 2018	4,529	6.76	9,167	10.94

(1) The restricted stock units with a combination of market and service vesting criteria include 4.9 million shares granted as a result of the 2014 and 2015 awards achieving 200% of their respective market performance conditions.

As of March 31, 2018, total equity-based compensation to be recognized on unvested restricted stock awards and restricted stock units is \$50.3 million over a weighted average period of 2.38 years. At March 31, 2018, the Company had approximately 4.6 million shares that remain available for issuance under the LTIP.

For restricted stock units with a combination of market and service vesting criteria, the number of common shares to be issued is determined by comparing the Company's total shareholder return with the total shareholder return of a predetermined group of peer companies over the performance period and can vest in up to 200% of the awards granted. The grant date fair value ranged from \$4.83 to \$15.71 per award. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. The expected volatility utilized in the model was estimated using our historical volatility and the historical volatilities of our peer companies and ranged from 44.0% to 53.0%. The risk-free interest rate was based on the U.S. treasury rate for a term commensurate with the expected life of the grant and ranged from 0.7% to 2.2%.

12. Income Taxes

We evaluate our estimated annual effective income tax rate based on current and forecasted business results and enacted tax laws on a quarterly basis and apply this tax rate to our ordinary income or loss to calculate our estimated tax expense or benefit. The Company excludes zero tax rate and tax-exempt jurisdictions from our evaluation of the estimated annual effective income tax rate. The tax effect of discrete items are recognized in the period in which they occur at the applicable statutory tax rate.

On December 22, 2017, the President of the United States signed P.L. 115-97, the Tax Reform Act into law. SAB 118 was issued in January 2018 to address situations where certain aspects of the Jobs Act are unclear at issuance of a registrant's financial statements for the reporting period in which the Jobs Act became law. SAB 118 allows us to record provisional amounts

during a one-year measurement period. We are analyzing certain aspects of the Jobs Act which could affect the measurement of deferred tax balances or potentially give rise to new deferred tax amounts.

The income tax provision consists of United States and Ghanaian income and Texas margin taxes. Our operations in other foreign jurisdictions have a 0% effective tax rate because they reside in countries with a 0% statutory rate or we have incurred losses in those countries and have full valuation allowances against the corresponding net deferred tax assets.

Income (loss) before income taxes is composed of the following:

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Bermuda	\$ (16,071)	\$ (16,181)
United States	1,633	1,412
Foreign—other	(60,136)	8,105
Income (loss) before income taxes	<u>\$ (74,574)</u>	<u>\$ (6,664)</u>

Our effective tax rate for the three months ended March 31, 2018 and 2017 is 33% and 333%, respectively. The effective tax rate is primarily impacted by the effect of non-deductible expenditures, including amounts associated with the damage to the Jubilee turret bearing, which we expect to recover from insurance proceeds. Any such insurance recoveries would not be subject to income tax.

The Company files income tax returns in all jurisdictions where such requirements exist, however, our primary tax jurisdictions are Ghana and the United States. The Company is open to Ghanaian federal income tax examinations for tax years 2014 through 2017 and in the United States, to federal income tax examinations for tax years 2014 through 2017.

As of March 31, 2018, the Company had no material uncertain tax positions. The Company's policy is to recognize potential interest and penalties related to income tax matters in income tax expense.

13. Net Loss Per Share

The following table is a reconciliation between net loss and the amounts used to compute basic and diluted net loss per share and the weighted average shares outstanding used to compute basic and diluted net loss per share:

	Three Months Ended March 31,	
	2018	2017
Numerator:		
Net loss	\$ (50,226)	\$ (28,841)
Basic income allocable to participating securities(1)	—	—
Basic net loss allocable to common shareholders	(50,226)	(28,841)
Diluted adjustments to income allocable to participating securities(1)	—	—
Diluted net loss allocable to common shareholders	<u>\$ (50,226)</u>	<u>\$ (28,841)</u>
Denominator:		
Weighted average number of shares outstanding:		
Basic	395,600	387,312
Restricted stock awards and units(1)(2)	—	—
Diluted	<u>395,600</u>	<u>387,312</u>
Net loss per share:		
Basic	\$ (0.13)	\$ (0.07)
Diluted	\$ (0.13)	\$ (0.07)

(1) Our service vesting restricted stock awards represent participating securities because they participate in non-forfeitable dividends with common equity owners. Income allocable to participating securities represents the distributed and undistributed earnings attributable to the participating securities. Our restricted stock awards with market and service vesting criteria and all restricted stock units are not considered to be participating securities and, therefore, are excluded from the basic net loss per common share calculation. Our service

vesting restricted stock awards do not participate in undistributed net losses because they are not contractually obligated to do so and, therefore, are excluded from the basic net loss per common share calculation in periods we are in a net loss position.

- (2) We excluded outstanding restricted stock awards and units of 11.3 million and 14.6 million for the three months ended March 31, 2018 and 2017, respectively, from the computations of diluted net loss per share because the effect would have been anti-dilutive.

14. Commitments and Contingencies

From time to time, we are involved in litigation, regulatory examinations and administrative proceedings primarily arising in the ordinary course of our business in jurisdictions in which we do business. Although the outcome of these matters cannot be predicted with certainty, management believes none of these matters, either individually or in the aggregate, would have a material effect upon the Company's financial position; however, an unfavorable outcome could have a material adverse effect on our results from operations for a specific interim period or year.

We currently have a commitment to drill one exploration well in Mauritania. In Mauritania, our partner is obligated to fund our share of the cost of the exploration well, subject to the remaining exploration and appraisal carry covering both our Mauritania and Senegal blocks. In Cote d'Ivoire, Equatorial Guinea, Mauritania and Sao Tome and Principe, we have 3D seismic requirements of approximately 12,000 square kilometers, 9,000 square kilometers, 7,600 square kilometers and 13,500 square kilometers, respectively.

Future minimum rental commitments under our leases at March 31, 2018, are as follows:

	Payments Due By Year(1)						
	Total	2018(2)	2019	2020	2021	2022	Thereafter
	(In thousands)						
Operating leases(3)	\$ 13,489	\$ 4,080	\$ 5,251	\$ 1,366	\$ 419	\$ 419	\$ 1,954

- (1) Does not include purchase commitments for jointly owned fields and facilities where we are not the operator and excludes commitments for exploration activities, including well commitments, in our petroleum contracts.

- (2) Represents payments for the period from April 1, 2018 through December 31, 2018.

- (3) Primarily relates to corporate office and foreign office leases.

15. Additional Financial Information

Accrued Liabilities

Accrued liabilities consisted of the following:

	March 31, 2018	December 31, 2017
	(In thousands)	
Accrued liabilities:		
Exploration, development and production	\$ 99,905	\$ 144,717
General and administrative expenses	12,881	31,124
Interest	11,040	20,457
Income taxes	898	17,423
Taxes other than income	1,794	3,270
Derivatives	5,825	825
Deferred financing costs	1,492	—
Other	2,425	1,596
	<u>\$ 136,260</u>	<u>\$ 219,412</u>

Other Income, Net

Other income, net consisted of zero and \$48.5 million Loss of Production Income (“LOPI”) proceeds, net related to the turret bearing issue on the Jubilee FPSO for the three months ended March 31, 2018 and 2017. Our LOPI coverage for this incident ended in May 2017.

Oil and Gas Production

Oil and gas production expense included insurance recoveries related to our increased cost of working covered by our LOPI policy of zero and \$3.4 million for the three months ended March 31, 2018 and 2017, respectively.

Facilities Insurance Modifications, Net

Facilities insurance modifications, net consists of costs associated with the long-term solution to convert the Jubilee FPSO to a permanently spread moored facility which we expect to recover from our insurance policy net of any insurance reimbursements.

Other Expenses, Net

Other expenses, net incurred during the period is comprised of the following:

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Gain on insurance settlements	\$ —	\$ (461)
Disputed charges and related costs	3,268	1,230
Other, net	437	(7)
Other expenses, net	<u>\$ 3,705</u>	<u>\$ 762</u>

The disputed charges and related costs are expenditures arising from Tullow Ghana Limited’s contract with Seadrill for use of the West Leo drilling rig once partner-approved 2016 work program objectives were concluded. Tullow has charged such expenditures to the Deepwater Tano (“DT”) joint account. Kosmos disputes that these expenditures are chargeable to the DT joint account on the basis that the Seadrill West Leo drilling rig contract was not approved by the DT operating committee pursuant to the DT Joint Operating Agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto contained herein and our annual financial statements for the year ended December 31, 2017, included in our annual report on Form 10-K along with the section Management's Discussion and Analysis of financial condition and Results of Operations contained in such annual report. Any terms used but not defined in the following discussion have the same meaning given to them in the annual report. Our discussion and analysis includes forward-looking statements that involve risks and uncertainties and should be read in conjunction with "Risk Factors" under Item 1A of this report and in the annual report, along with "Forward-Looking Information" at the end of this section for information about the risks and uncertainties that could cause our actual results to be materially different than our forward-looking statements.

Overview

We are a pure play deepwater oil and gas company with growing production, a pipeline of development opportunities and a balanced exploration portfolio along the Atlantic Margins. Our assets include growing production offshore Ghana and Equatorial Guinea, a competitively positioned Tortue gas project in Mauritania and Senegal and a sustainable exploration program balanced between proven basins (Equatorial Guinea), emerging basins (Mauritania, Senegal and Suriname) and frontier basins (Cote d'Ivoire and Sao Tome and Principe).

Recent Developments

Corporate

In February 2018, the Company amended and restated our commercial debt facility (the "Facility") with a total commitment of \$1.5 billion from a number of financial institutions with additional commitments up to \$0.5 billion being available if the existing financial institutions increase their commitments or if commitments from new financial institutions are added. As a result of the financing, we recorded a \$4.1 million loss on the extinguishment of debt in the first quarter of 2018.

Our revolving letter of credit facility agreement ("LC Facility") has flexibility that allows us to increase or decrease the available amount as needed if the existing lender increases its commitment or if commitments from new financial institutions are added. In February 2018, the LC Facility was increased to \$73 million to facilitate the issuance of additional letters of credit.

Ghana

Jubilee

Kosmos and its partners have determined the preferred long-term solution to the turret bearing issue is to convert the FPSO to a permanently spread moored facility. The Jubilee turret remediation work is progressing as planned and involves a shutdown to stabilize the turret bearing during the first half of 2018 followed by work to rotate the vessel to a new heading and permanently spread moor the vessel. The turret stabilization shutdown is being conducted in two phases, the first of which is complete and production is back online. The second phase is expected to commence during the second quarter of 2018, and we anticipate oil production to be offline for around two weeks as a consequence of this shutdown. It is anticipated the gas system will be shut-in for slightly longer to complete non-turret related maintenance. We now expect the rotation of the vessel to take place around the end of 2018 with minimal impact to production in 2018.

The financial impact of lower Jubilee production as well as the additional expenditures associated with the damage to the turret bearing is mitigated through a combination of the comprehensive Hull and Machinery insurance ("H&M"), procured by the operator, Tullow, on behalf of the Jubilee Unit partners, and through May 2017, the corporate Loss of Production Income ("LOPI") insurance procured by Kosmos.

Greater Tortue Discovery

In February 2018, the governments of Mauritania and Senegal signed an Inter-Governmental Cooperation Agreement ("ICA") which enables the development of the cross-border Tortue natural gas field to continue moving forward. With this agreement in place, all major FEED contracts have been awarded by the operator and we expect a final investment decision for the Greater Tortue project around the end of 2018 and are aiming for first gas in late 2021.

Senegal

In February 2018, the Requin Tigre-1 exploration well was drilled to a total depth of 5,200 meters and was designed to evaluate Cenomanian and Albian reservoirs in a structural-stratigraphic trap, charged from an underlying Neocomian-Valanginian source kitchen. The prospect was fully tested but did not encounter hydrocarbons. Post-well analysis is currently ongoing to determine the reasons it was unsuccessful. The well has been plugged and abandoned.

Sao Tome and Principe

In March 2018, as part of our alliance with BP, we entered into petroleum contracts covering Blocks 10 and 13 with the Democratic Republic of Sao Tome and Principe. We presently have a 35% participating interest in the blocks and the operator, BP, holds a 50% participating interest. The national petroleum agency, Agencia Nacional Do Petroleo De Sao Tome E Principe ("ANP STP") has a 15% carried interest in the blocks through exploration.

Equatorial Guinea

In March 2018, we signed a farm-in agreement with a subsidiary of Ophir Energy plc ("Ophir") for Block EG-24, offshore Equatorial Guinea, whereby we acquired a 40% participating interest. As part of the agreement, we reimbursed a portion of Ophir's previously incurred exploration costs and will fully carry Ophir's share of the costs of a planned 3D seismic program as well as pay a disproportionate share of the well commitment should we enter the second exploration sub-period.

In May 2018, we will begin a 3D seismic survey of approximately 9,900 square kilometers over blocks EG-21, EG-24, S and W offshore Equatorial Guinea, and approximately 200 square kilometers over Block G which is operated by our equity method investment in KTIPI.

Cote d'Ivoire

In February 2018, we began a 3D seismic survey covering approximately 12,000 square kilometers over blocks CI-526, CI-602, CI-603, CI-707 and CI-708 offshore Cote d'Ivoire.

Suriname

In April 2018, we began drilling the Anapai-1 exploration well targeting an early Cretaceous structural / stratigraphic trap in Block 45, offshore Suriname, with results expected in the second quarter of 2018.

Results of Operations

All of our results, as presented in the table below, represent operations from Jubilee and TEN fields in Ghana and our equity method investment offshore Equatorial Guinea. Certain operating results and statistics for the three months ended March 31, 2018 and 2017 are included in the following tables:

	Three Months Ended March 31, 2018		
	Kosmos	Equity Method Investment - Equatorial Guinea(1)	Total
(In thousands, except per barrel data)			
Sales volumes (MBbl):			
Jubilee	997	—	997
TEN	937	—	937
Ceiba / Okume	—	1,880	1,880
	1,934	1,880	3,814
Revenues:			
Oil and gas sales	\$ 127,196	\$ 123,177	\$ 250,373
Average sales price per Boe	65.77	65.52	65.65
Costs:			
Oil and gas production, excluding workovers	\$ 42,260	\$ 25,850	\$ 68,110
Oil and gas production, workovers	4,508	—	4,508
Total oil and gas production costs	\$ 46,768	\$ 25,850	\$ 72,618
Depletion and depreciation	\$ 54,277	\$ 53,997	\$ 108,274
Average cost per Boe:			
Oil and gas production, excluding workovers	\$ 21.85	\$ 13.75	\$ 17.86
Oil and gas production, workovers	2.33	—	1.18
Total oil production costs	24.18	13.75	19.04
Depletion and depreciation	28.06	28.73	28.39
Oil and gas production cost and depletion costs	\$ 52.24	\$ 42.48	\$ 47.43

- (1) For the three months ended March 31, 2018, we have presented our 50% share of the results of operations, including our basis difference which is reflected in depletion and depreciation. Under the equity method of accounting, we only recognize our share of the net income of Kosmos-Trident International Petroleum Inc. ("KTIPI"), which is recorded in (gain) loss on equity method investments, net in the consolidated statement of operations.

**Three Months Ended
March 31, 2017**
(In thousands, except per barrel data)

Sales volumes (MBbl):			
Jubilee			1,976
TEN			—
			1,976
Revenues:			
Oil and gas sales		\$	103,432
Average sales price per Boe			52.34
Costs:			
Oil and gas production, excluding workovers		\$	19,947
Oil and gas production, workovers			(61)
Total oil and gas production costs		\$	19,886
Depletion and depreciation		\$	34,978
Average cost per Boe:			
Oil and gas production, excluding workovers		\$	10.09
Oil and gas production, workovers			(0.03)
Total oil production costs			10.06
Depletion and depreciation			17.70
Oil and gas production cost and depletion costs		\$	27.76

The following table shows the number of wells in the process of being drilled or in active completion stages, and the number of wells suspended or waiting on completion as of March 31, 2018:

	Actively Drilling or Completing				Wells Suspended or Waiting on Completion			
	Exploration		Development		Exploration		Development	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Ghana								
Jubilee Unit	—	—	—	—	—	—	11	2.65
West Cape Three Points	—	—	—	—	2	0.62	—	—
TEN	—	—	1	0.17	—	—	5	0.85
Deepwater Tano	—	—	—	—	1	0.18	—	—
Mauritania								
C8	—	—	—	—	3	0.84	—	—
Senegal								
Saint Louis Offshore Profond	—	—	—	—	1	0.30	—	—
Cayar Profond	—	—	—	—	2	0.60	—	—
Total	—	—	1	0.17	9	2.54	16	3.50

The discussion of the results of operations and the period-to-period comparisons presented below analyze our historical results. The following discussion may not be indicative of future results.

Three months ended March 31, 2018 compared to three months ended March 31, 2017

	Three Months Ended		Increase (Decrease)
	March 31,		
	2018	2017	
(In thousands)			
Revenues and other income:			
Oil and gas revenue	\$ 127,196	\$ 103,432	\$ 23,764
Other income, net	(19)	48,534	(48,553)
Total revenues and other income	127,177	151,966	(24,789)
Costs and expenses:			
Oil and gas production	46,768	19,886	26,882
Facilities insurance modifications, net	8,449	2,574	5,875
Exploration expenses	21,193	105,714	(84,521)
General and administrative	21,883	15,787	6,096
Depletion and depreciation	54,277	34,978	19,299
Interest and other financing costs, net	25,694	16,786	8,908
Derivatives, net	38,478	(37,857)	76,335
Gain on equity method investment, net	(18,696)	—	(18,696)
Other expenses, net	3,705	762	2,943
Total costs and expenses	201,751	158,630	43,121
Loss before income taxes	(74,574)	(6,664)	(67,910)
Income tax expense (benefit)	(24,348)	22,177	(46,525)
Net loss	\$ (50,226)	\$ (28,841)	\$ (21,385)

Oil and gas revenue. Oil and gas revenue increased by \$23.8 million as a result of higher oil prices during the three months ended March 31, 2018, compared to the three months ended March 31, 2017. We lifted and sold 1,934 MBbl at an average realized price per barrel of \$65.77 during the three months ended March 31, 2018 and 1,976 MBbl at an average realized price per barrel of \$52.34 during the three months ended March 31, 2017.

Other income, net. Other income, net decreased by \$48.6 million as we recognized \$48.5 million of LOPI proceeds, net during the three months ended March 31, 2017 related to the turret bearing issue on the Jubilee FPSO. The LOPI claim was finalized in June 2017.

Oil and gas production. Oil and gas production costs increased by \$26.9 million during the three months ended March 31, 2018, as compared to the three months ended March 31, 2017 as a result of \$18.5 million related to TEN which has a higher operating cost than Jubilee and which did not have a lifting during the three months ended March 31, 2017 and \$4.6 million of workover costs in the Jubilee Field. Additionally, the three months ended March 31, 2017 were positively impacted by insurance proceeds related to Jubilee turret operating costs.

Facilities insurance modifications, net. During the three months ended March 31, 2018, we incurred \$9.8 million of facilities insurance modifications costs associated with the long-term solution to the Jubilee turret bearing issue. These costs were offset by \$1.3 million of hull and machinery insurance proceeds received during the three months ended March 31, 2018 resulting in a net charge of \$8.4 million. During the three months ended March 31, 2017, we incurred \$7.5 million of facilities insurance modifications costs associated with the long-term solution to the Jubilee turret bearing issue. These costs were offset by \$4.9 million of insurance proceeds received during the three months ended March 31, 2017 resulting in a net charge of \$2.6 million.

Exploration expenses. Exploration expenses decreased by \$84.5 million during the three months ended March 31, 2018, as compared to the three months ended March 31, 2017. The change is primarily a result of \$42.1 million of stacked rig costs associated with the ENSCO DS-12 (formerly the Atwood Achiever) and a \$48.1 million cancellation payment related to the exercise

of our election to cancel the fourth year option of the ENSCO DS-12 drilling rig contract, both recorded during the three months ended March 31, 2017.

General and administrative. General and administrative costs increased by \$6.1 million during the three months ended March 31, 2018, as compared with the three months ended March 31, 2017. The increase is driven by the loss of our ability to charge out certain costs associated with the transfer of operatorship of the Tortue development project to BP.

Depletion and depreciation. Depletion and depreciation increased \$19.3 million during the three months ended March 31, 2018, as compared with the three months ended March 31, 2017. The increase is primarily a result of a higher depletion rate for the TEN fields as 2018 had one Jubilee and one TEN lifting compared to two Jubilee liftings in 2017 resulting in approximately a \$15.4 million increase. Additionally, the Jubilee Field depletion increased by approximately \$3.7 million as a result of suspended well costs associated with the Mahogany and Teak discovery areas which were moved into the Jubilee Field's depletable cost basis upon approval of the Greater Jubilee Full Field Development Plan and recognition as proved reserves in the fourth quarter of 2017.

Interest and other financing costs, net. Interest and other financing costs, net increased \$8.9 million primarily a result of expensing \$4.1 million of existing unamortized debt issuance costs and deferred interest associated with the Facility amendment in first quarter 2018 and a \$4.7 million decrease in capitalized interest versus 2017.

Derivatives, net. During the three months ended March 31, 2018 and 2017, we recorded a loss of \$38.5 million and a gain of \$37.9 million, respectively, on our outstanding hedge positions. The gain and loss recorded were a result of changes in the forward curve of oil prices during the respective periods.

Gain on equity method investment, net. Gain on equity method investment, net increased \$18.7 million a result of our equity method investment in KTIPI, which was acquired in the fourth quarter of 2017.

Other expenses, net. Other expenses, net increased \$2.9 million primarily related to an increase in disputed charges and related costs.

Income tax expense (benefit). For the period ended March 31, 2018, the Company recognized a net tax benefit because of pre-tax losses related to our Ghanaian operations. At year-end 2018, the Company expects our Ghanaian operations to return to pre-tax income and tax expense positions resulting in a Ghanaian effective tax rate that is consistent with the Ghanaian tax rate reported at year-end 2017. For the periods ended March 31, 2018 and 2017 our overall effective tax rates were impacted by non-deductible and non-taxable items associated with our U.S. and Ghanaian operations and other losses and expenses, primarily related to exploration operations in tax-exempt jurisdictions or in taxable jurisdictions where we have valuation allowances against our deferred tax assets, and therefore, we do not realize any tax benefit on such expenses or losses.

Liquidity and Capital Resources

We are actively engaged in an ongoing process of anticipating and meeting our funding requirements related to exploring for and developing oil and natural gas resources along the Atlantic Margins. We have historically met our funding requirements through cash flows generated from our operating activities and obtained additional funding from issuances of equity and debt as well as partner carries.

While we are presently in a strong financial position, commodity prices are volatile and could negatively impact our ability to generate sufficient operating cash flows to meet our funding requirements. To partially mitigate this price volatility, we maintain a hedging program. Our investment decisions are based on longer-term commodity prices based on the long-term nature of our projects and development plans. Also, BP has agreed to partially carry our exploration, appraisal and development program in Mauritania and Senegal. Current commodity prices, combined with our hedging program, partner carries and our current liquidity position support our capital program for 2018.

Sources and Uses of Cash

The following table presents the sources and uses of our cash and cash equivalents for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
(In thousands)		
Sources of cash, cash equivalents and restricted cash:		
Net cash used in operating activities	\$ (17,016)	\$ (30,382)
Return of investment from KTIPI	41,070	—
Proceeds on sale of assets	—	203,919
	24,054	173,537
Uses of cash, cash equivalents and restricted cash:		
Oil and gas assets	34,712	31,810
Other property	1,757	271
Payments on long-term debt	—	150,000
Purchase of treasury stock	11,874	1,115
Deferred financing costs	24,969	—
	73,312	183,196
Decrease in cash, cash equivalents and restricted cash	\$ (49,258)	\$ (9,659)

Net cash used in **operating activities**. Net cash used in operating activities for the three months ended March 31, 2018 was \$17.0 million compared with net cash used in operating activities for the three months ended March 31, 2017 of \$30.4 million. The decrease in cash used in operating activities in the three months ended March 31, 2018 when compared to the same period in 2017 is primarily a result of a decrease in LOPI proceeds, net and derivative cash settlements partially offset by a decrease in exploration expenses related to the stacked rig costs and rig option cancellation payment, both recorded during the three months ended March 31, 2017.

The following table presents our net debt and liquidity as of March 31, 2018:

	March 31, 2018
	(In thousands)
Cash and cash equivalents	\$ 198,841
Restricted cash	56,887
Senior Notes at par	525,000
Drawings under the Facility	800,000
Net debt	\$ 1,069,272
Availability under the Facility	\$ 700,000
Availability under the Corporate Revolver	\$ 400,000
Available borrowings plus cash and cash equivalents	\$ 1,298,841

Capital Expenditures and Investments

We expect to incur capital costs as we:

- drill additional wells in the Jubilee and TEN Fields;
- fund asset integrity projects at Jubilee;
- execute exploration and appraisal activities in a number of our exploration license areas, including drilling two exploration wells in Suriname; and
- acquire and analyze seismic on existing licenses, pursue new ventures and manage our rig activities.

We have relied on a number of assumptions in budgeting for our future activities. We also evaluate potential corporate and asset acquisition opportunities to support and expand our asset portfolio which may impact our budget assumptions. These assumptions are inherently subject to significant business, political, economic, regulatory, environmental and competitive uncertainties, contingencies and risks, all of which are difficult to predict and many of which are beyond our control. We may need to raise additional funds more quickly if market conditions deteriorate; or one or more of our assumptions proves to be incorrect or if we choose to expand our acquisition, exploration, appraisal, development efforts or any other activity more rapidly than we presently anticipate. We may decide to raise additional funds before we need them if the conditions for raising capital are favorable. We may seek to sell equity or debt securities or obtain additional bank credit facilities.

2018 Capital Program

We estimate we will spend approximately \$300 million of capital, net of carry amounts related to the Mauritania and Senegal transactions with BP, for the year ending December 31, 2018. However, the ultimate amount of capital we will spend may vary or fluctuate materially based on market conditions and the success of our drilling results among other factors. Through March 31, 2018, we have spent approximately \$57.6 million.

Significant Sources of Capital

Facility

In February 2018, the Company amended and restated the Facility with a total commitment of \$1.5 billion from a number of financial institutions with additional commitments up to \$0.5 billion being available if the existing financial institutions increase their commitments or if commitments from new financial institutions are added. The borrowing base calculation includes value related to the Jubilee, TEN, Ceiba and Okume fields. The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities. As part of the debt refinancing in February 2018, the repayment of borrowings under the existing facility attributable to financial institutions that did not participate in the amended Facility was accounted for as an extinguishment of debt, and \$4.1 million of existing unamortized debt issuance costs and deferred interest attributable to those participants was expensed in interest and other financing costs, net in the first quarter of 2018. As of March 31, 2018, we have \$42.3 million of unamortized issuance costs related to the Facility, which will be amortized over the remaining term of the Facility.

The Facility provides a revolving credit and letter of credit facility. The availability period for the revolving credit facility, as amended in February 2018 expires one month prior to the final maturity date. The letter of credit facility expires on the final maturity date. The available facility amount is subject to borrowing base constraints and, beginning on March 31, 2022, outstanding borrowings will be constrained by an amortization schedule. The Facility has a final maturity date of March 31, 2025. As of March 31, 2018, we had no letters of credit issued under the Facility.

We were in compliance with the financial covenants contained in the Facility as of March 31, 2018 (the most recent assessment date). The Facility contains customary cross default provisions.

Corporate Revolver

Our Corporate Revolver, from a number of financial institutions, has borrowing capacity to \$400.0 million and is available for all subsidiaries for general corporate purposes and for oil and gas exploration, appraisal and development programs.

As of March 31, 2018, there were no outstanding borrowings under the Corporate Revolver. We were in compliance with the financial covenants contained in the Corporate Revolver as of March 31, 2018 (the most recent assessment date). The Corporate Revolver contains customary cross default provisions.

Revolving Letter of Credit Facility

We have a revolving letter of credit facility agreement (“LC Facility”), which matures in July 2019. In February 2018, the LC Facility size was increased to \$73.0 million to facilitate the issuance of additional letters of credit. As of March 31, 2018, there were thirteen outstanding letters of credit totaling \$72.8 million under the LC Facility. The LC Facility contains customary cross default provisions.

7.875% Senior Secured Notes due 2021

During August 2014, we issued \$300.0 million of Senior Notes and received net proceeds of approximately \$292.5 million after deducting discounts, commissions and deferred financing costs. The Company used the net proceeds to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes.

During April 2015, we issued an additional \$225.0 million Senior Notes and received net proceeds of \$206.8 million after deducting discounts, commissions and other expenses. We used the net proceeds to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes. The additional \$225.0 million of Senior Notes have identical terms to the initial \$300.0 million Senior Notes, other than the date of issue, the initial price, the first interest payment date and the first date from which interest accrued.

The Senior Notes mature on August 1, 2021. Interest is payable semi-annually in arrears each February 1 and August 1 commencing on February 1, 2015 for the initial \$300.0 million Senior Notes and August 1, 2015 for the additional \$225.0 million Senior Notes. The Senior Notes are secured (subject to certain exceptions and permitted liens) by a first ranking fixed equitable charge on all shares held by us in our direct subsidiary, Kosmos Energy Holdings. The Senior Notes are currently guaranteed on a subordinated, unsecured basis by our existing restricted subsidiaries that guarantee the Facility and the Corporate Revolver, and, in certain circumstances, the Senior Notes will become guaranteed by certain of our other existing or future restricted subsidiaries. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” section of our annual report on Form 10-K for the terms of the Senior Notes.

Contractual Obligations

The following table summarizes by period the payments due for our estimated contractual obligations as of March 31, 2018:

	Payments Due By Year(4)						
	Total	2018(5)	2019	2020	2021	2022	Thereafter
	(In thousands)						
Principal debt repayments(1)	\$ 1,325,000	\$ —	\$ —	\$ —	\$ 525,000	\$ —	\$ 800,000
Interest payments on long-term debt(2)	494,319	63,082	94,783	96,126	95,257	56,932	88,139
Operating leases(3)	13,489	4,080	5,251	1,366	419	419	1,954

(1) Includes the scheduled principal maturities for the \$525.0 million aggregate principal amount of Senior Notes issued in August 2014 and April 2015 and the Facility. The scheduled maturities of debt related to the Facility are based on the level of borrowings and the estimated future available borrowing base as of March 31, 2018. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter. As of March 31, 2018, there were no borrowings under the Corporate Revolver.

(2) Based on outstanding borrowings as noted in (1) above and the LIBOR yield curves at the reporting date and commitment fees related to the Facility and Corporate Revolver and the interest on the Senior Notes.

(3) Primarily relates to corporate office and foreign office leases.

(4) Does not include purchase commitments for jointly owned fields and facilities where we are not the operator and excludes commitments for exploration activities, including well commitments and seismic obligations, in our petroleum contracts.

(5) Represents the period from April 1, 2018 through December 31, 2018.

We currently have a commitment to drill one exploration well in Mauritania. In Mauritania, our partner is obligated to fund our share of the cost of the exploration well, subject to the remaining exploration and appraisal carry covering both our Mauritania and Senegal blocks. In Cote d'Ivoire, Equatorial Guinea, Mauritania and Sao Tome and Principe, we have 3D seismic requirements of approximately 12,000 square kilometers, 9,000 square kilometers, 7,600 square kilometers and 13,500 square kilometers, respectively.

The following table presents maturities by expected debt maturity dates, the weighted average interest rates expected to be paid on the Facility given current contractual terms and market conditions, and the debt's estimated fair value. Weighted-average interest rates are based on implied forward rates in the yield curve at the reporting date. This table does not take into account amortization of deferred financing costs.

	Years Ending December 31,								Asset (Liability) Fair Value at March 31, 2018					
	2018(5)	2019	2020	2021	2022	Thereafter								
	(In thousands, except percentages)													
Fixed rate debt:														
Senior Notes	\$	—	\$	—	\$	—	\$	525,000	\$	—	\$	—	\$	(537,773)
Fixed interest rate		7.88%		7.88%		7.88%		7.88%		—		—		
Variable rate debt:														
Facility(1)	\$	—	\$	—	\$	—	\$	—	\$	—	\$	800,000	\$	(800,000)
Weighted average interest rate(2)		5.31%		5.74%		5.90%		5.90%		6.32%		6.64%		
Capped interest rate swaps:														
Notional debt amount (\$200,000)	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	1,182
Cap		3.00%		—		—		—		—		—		
Average fixed rate payable(3)		1.23%		—		—		—		—		—		
Variable rate receivable(4)		2.07%		—		—		—		—		—		

(1) The amounts included in the table represent principal maturities only. The scheduled maturities of debt are based on the level of borrowings and the available borrowing base as of March 31, 2018. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter. As of March 31, 2018, there were no borrowings under the Corporate Revolver.

(2) Based on outstanding borrowings as noted in (1) above and the LIBOR yield curves plus applicable margin at the reporting date. Excludes commitment fees related to the Facility and Corporate Revolver.

(3) We expect to pay the fixed rate if 1-month LIBOR is below the cap, and pay the market rate less the spread between the cap and the fixed rate if LIBOR is above the cap, net of the capped interest rate swaps.

(4) Based on implied forward rates in the yield curve at the reporting date.

(5) Represents the period April 1, 2018 through December 31, 2018.

Off-Balance Sheet Arrangements

We may enter into off-balance sheet arrangements and transactions that can give rise to material off-balance sheet obligations. As of March 31, 2018, our material off-balance sheet arrangements and transactions include operating leases and undrawn letters of credit. There are no other transactions, arrangements, or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect Kosmos' liquidity or availability of or requirements for capital resources.

Critical Accounting Policies

We consider accounting policies related to our revenue recognition, exploration and development costs, receivables, income taxes, derivative instruments and hedging activities, estimates of proved oil and natural gas reserves, asset retirement obligations and impairment of long-lived assets as critical accounting policies. The policies include significant estimates made by management using information available at the time the estimates are made. However, these estimates could change materially if different information or assumptions were used. There have been no changes to our critical accounting policies which are summarized in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” section in our annual report on Form 10-K, for the year ended December 31, 2017.

Cautionary Note Regarding Forward-looking Statements

This quarterly report on Form 10-Q contains estimates and forward-looking statements, principally in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the factors described in our quarterly report on Form 10-Q and our annual report on Form 10-K, may adversely affect our results as indicated in forward-looking statements. You should read this quarterly report on Form 10-Q, the annual report on Form 10-K and the documents that we have filed with the Securities and Exchange Commission completely and with the understanding that our actual future results may be materially different from what we expect. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- our ability to find, acquire or gain access to other discoveries and prospects and to successfully develop and produce from our current discoveries and prospects;
- uncertainties inherent in making estimates of our oil and natural gas data;
- the successful implementation of our and our block partners’ prospect discovery and development and drilling plans;
- projected and targeted capital expenditures and other costs, commitments and revenues;
- termination of or intervention in concessions, rights or authorizations granted by the governments of the countries in which we operate (or their respective national oil companies) or any other federal, state or local governments or authorities, to us;
- our dependence on our key management personnel and our ability to attract and retain qualified technical personnel;
- the ability to obtain financing and to comply with the terms under which such financing may be available;
- the volatility of oil and natural gas prices;
- the availability, cost, function and reliability of developing appropriate infrastructure around and transportation to our discoveries and prospects;
- the availability and cost of drilling rigs, production equipment, supplies, personnel and oilfield services;
- other competitive pressures;
- potential liabilities inherent in oil and natural gas operations, including drilling and production risks and other operational and environmental risks and hazards;
- current and future government regulation of the oil and gas industry or regulation of the investment in or ability to do business with certain countries or regimes;
- cost of compliance with laws and regulations;
- changes in environmental, health and safety or climate change or greenhouse gas (“GHG”) laws and regulations or the implementation, or interpretation, of those laws and regulations;
- adverse effects of sovereign boundary disputes in the jurisdictions in which we operate;
- environmental liabilities;
- geological, geophysical and other technical and operations problems, including drilling and oil and gas production and processing;
- military operations, civil unrest, outbreaks of disease, terrorist acts, wars or embargoes;
- the cost and availability of adequate insurance coverage and whether such coverage is enough to sufficiently mitigate potential losses and whether our insurers comply with their obligations under our coverage agreements;
- our vulnerability to severe weather events;
- our ability to meet our obligations under the agreements governing our indebtedness;
- the availability and cost of financing and refinancing our indebtedness;
- the amount of collateral required to be posted from time to time in our hedging transactions, letters of credit and other secured debt;
- the result of any legal proceedings, arbitrations, or investigations we may be subject to or involved in;

- our success in risk management activities, including the use of derivative financial instruments to hedge commodity and interest rate risks; and
- other risk factors discussed in the “Item 1A. Risk Factors” section of this quarterly report on Form 10-Q and our annual report on Form 10-K.

The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “plan” and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and, except to the extent required by law, we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. As a result of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this quarterly report on Form 10-Q might not occur, and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, including, but not limited to, the factors mentioned above. Because of these uncertainties, you should not place undue reliance on these forward-looking statements.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The term “market risks” as it relates to our currently anticipated transactions refers to the risk of loss arising from changes in commodity prices and interest rates. These disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage ongoing market risk exposures. We enter into market-risk sensitive instruments for purposes other than to speculate.

We manage market and counterparty credit risk in accordance with our policies. In accordance with these policies and guidelines, our management determines the appropriate timing and extent of derivative transactions. See “Item 8. Financial Statements and Supplementary Data — Note 2 — Accounting Policies, Note 9 — Derivative Financial Instruments and Note 10 — Fair Value Measurements” section of our annual report on Form 10-K for a description of the accounting procedures we follow relative to our derivative financial instruments.

The following table reconciles the changes that occurred in fair values of our open derivative contracts during the three months ended March 31, 2018:

	Derivative Contracts Assets (Liabilities)		
	Commodities	Interest Rates	Total
	(In thousands)		
Fair value of contracts outstanding as of December 31, 2017	\$ (97,036)	\$ 1,017	\$ (96,019)
Changes in contract fair value	(39,319)	353	(38,966)
Contract maturities	20,585	(188)	20,397
Fair value of contracts outstanding as of March 31, 2018	<u>\$ (115,770)</u>	<u>\$ 1,182</u>	<u>\$ (114,588)</u>

Commodity Price Risk

The Company’s revenues, earnings, cash flows, capital investments and, ultimately, future rate of growth are highly dependent on the prices we receive for our crude oil, which have historically been very volatile. Our oil sales are indexed against Dated Brent crude; prices during the three months ended March 31, 2018 ranged between \$61.52 and \$70.71.

Commodity Derivative Instruments

We enter into various oil derivative contracts to mitigate our exposure to commodity price risk associated with anticipated future oil production. These contracts currently consist of collars, put options, call options and swaps. In regards to our obligations under our various commodity derivative instruments, if our production does not exceed our existing hedged positions, our exposure to our commodity derivative instruments would increase.

Commodity Price Sensitivity

The following table provides information about our oil derivative financial instruments that were sensitive to changes in oil prices as of March 31, 2018. Volumes and weighted average prices are net of any offsetting derivatives entered into.

Term	Type of Contract	MMBbl	Weighted Average Dated Brent Price per Bbl						Asset (Liability) Fair Value at March 31, 2018(2)
			Net Deferred Premium Payable/(Receivable)	Swap	Sold Put	Floor	Ceiling	Call	
(In thousands)									
2018:									
April — December	Swap with puts	1,500	\$ —	\$ 54.32	\$ 40.00	\$ —	\$ —	\$ —	\$ (19,179)
July — December	Swap with puts	2,000	—	57.96	45.00	—	—	—	(17,722)
April — June	Swaps	500	—	57.25	—	—	—	—	(5,546)
April — December	Three-way collars	2,193	0.74	—	41.57	56.57	65.90	—	(11,805)
April — December	Four-way collars	2,252	1.06	—	40.00	50.00	61.33	70.00	(13,187)
April — December	Sold calls(1)	1,505	—	—	—	—	65.00	—	(7,522)
July — December	Purchased Calls	1,000	—	—	—	—	—	70.00	1,204
2019:									
January — December	Three-way collars	9,500	\$ (0.06)	\$ —	\$ 43.16	\$ 52.63	\$ 65.01	\$ —	\$ (40,602)
January — December	Sold calls(1)	913	—	—	—	—	80.00	—	(1,411)

(1) Represents call option contracts sold to counterparties to enhance other derivative positions.

(2) Fair values are based on the average forward Dated Brent oil prices on March 31, 2018 which by year are: 2018 — \$67.63 and 2019 — \$63.75. These fair values are subject to changes in the underlying commodity price. The average forward Dated Brent oil prices based on May 1, 2018 market quotes by year are: 2018 — \$71.73 and 2019 — \$67.15.

In April 2018, we entered into three-way collar contracts for 1.0 MMBbl from January 2019 through December 2019 with a sold put price of \$50.00 per barrel, a floor price of \$60.00 per barrel and a ceiling price of \$75.00 per barrel. The contracts are indexed to Dated Brent prices.

At March 31, 2018, our open commodity derivative instruments were in a net liability position of \$115.8 million. As of March 31, 2018, a hypothetical 10% price increase in the commodity futures price curves would decrease future pre-tax earnings by approximately \$87.0 million. Similarly, a hypothetical 10% price decrease would increase future pre-tax earnings by approximately \$82.3 million.

Interest Rate Derivative Instruments

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations” section of our annual report on Form 10-K for specific information regarding the terms of our interest rate derivative instruments that are sensitive to changes in interest rates.

Interest Rate Sensitivity

At March 31, 2018, we had indebtedness outstanding under the Facility of \$800.0 million, of which \$600.0 million bore interest at floating rates after consideration of our fixed rate interest rate hedges. The interest rate on this indebtedness as of March 31, 2018 was approximately 4.9%. If LIBOR increased by 10% at this level of floating rate debt, we would pay an additional \$1.0 million in interest expense per year on the Facility. We pay commitment fees on the undrawn availability and unavailable commitments under the Facility and on the undrawn availability under the Corporate Revolver, which are not subject to changes in interest rates.

As of March 31, 2018, the fair market value of our interest rate swaps was a net asset of approximately \$1.2 million. If LIBOR changed by 10%, it would have a negligible impact on the fair market value of our interest rate swaps.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer. This evaluation considered the various processes carried out under the direction of our disclosure committee in an effort to ensure that information required to be disclosed in the SEC reports we file or submit under the Exchange Act is accurate, complete and timely. However, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Consequently, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2018, in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

Evaluation of Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

There have been no material changes from the information concerning legal proceedings discussed in the “Item 3. Legal Proceedings” section of our annual report on Form 10-K.

Item 1A. Risk Factors

There have been no material changes from the risks discussed in the “Item 1A. Risk Factors” section of our annual report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds*Issuer Purchases of Equity Securities*

Under the terms of our Long Term Incentive Plan (“LTIP”), we have issued restricted shares to our employees. On the date that these restricted shares vest, we provide such employees the option to sell shares to cover their tax liability, via a net exercise provision pursuant to our applicable restricted share award agreements and the LTIP, at either the number of vested shares (based on the closing price of our common shares on such vesting date) equal to the minimum statutorily tax liability owed by such grantee or up to the maximum statutory tax liability for such grantee. The Company may repurchase the restricted shares sold by the grantees to settle their tax liability. The repurchased shares are reallocated to the number of shares available for issuance under the LTIP. The following table outlines the total number of shares purchased during the three months ended March 31, 2018 and the average price paid per share.

	Total Number of Shares Purchased		Average Price Paid per Share
	(In thousands)		
January 1, 2018—January 31, 2018	74	\$	6.85
February 1, 2018—February 28, 2018	—		—
March 1, 2018—March 31, 2018	—		—
Total	74		6.85

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

There have been no material changes required to be reported under this Item that have not previously been disclosed in the annual report on Form 10-K.

Item 6. Exhibits

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this quarterly report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kosmos Energy Ltd.
(Registrant)

Date May 7, 2018

/s/ THOMAS P. CHAMBERS
Thomas P. Chambers
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

INDEX OF EXHIBITS

Exhibit Number	Description of Document
10.1**	<u>Production Sharing Contract relating to Block G Offshore Republic of Equatorial Guinea between the Republic of Equatorial Guinea and Triton Equatorial Guinea, Inc. dated March 26, 1997.</u>
10.2**	<u>Amendment No. 1, dated January 1, 2000, to the Production Sharing Contract relating to Block G Offshore Republic of Equatorial Guinea between Triton Equatorial Guinea, Inc., Energy Africa Equatorial Guinea Limited, and the Republic of Equatorial Guinea represented by the Ministry of Mines and Energy.</u>
10.3**	<u>Amendment No. 2, dated December 15, 2005, to the Production Sharing Contract relating to Block G Offshore Republic of Equatorial Guinea between Amerada Hess Equatorial Guinea, Energy Africa Equatorial Guinea Limited, and the Republic of Equatorial Guinea represented by the Ministry of Mines, Industry and Energy.</u>
10.4**	<u>Amendment No. 3, dated October 22, 2017, to the Production Sharing Contract relating to Block G Offshore Republic of Equatorial Guinea between Hess Equatorial Guinea, Tullow Equatorial Guinea Limited, and the Republic of Equatorial Guinea represented by the Ministry of Mines and Hydrocarbons.</u>
10.5**	<u>Production Sharing Contract relating to Block EG-21 Offshore Republic of Equatorial Guinea between the Republic of Equatorial Guinea, Guinea Ecuatorial de Petroleos and Kosmos Energy Equatorial Guinea. dated October 10, 2017.</u>
10.6**	<u>Production Sharing Contract relating to Block S Offshore Republic of Equatorial Guinea between the Republic of Equatorial Guinea, Guinea Ecuatorial de Petroleos and Kosmos Energy Equatorial Guinea. dated October 10, 2017.</u>
10.7**	<u>Production Sharing Contract relating to Block W Offshore Republic of Equatorial Guinea between the Republic of Equatorial Guinea, Guinea Ecuatorial de Petroleos and Kosmos Energy Equatorial Guinea. dated October 10, 2017.</u>
10.8**	<u>Production Sharing Contract relating to Block 10 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe, BP Exploration (STP) Limited and Kosmos Energy Sao Tome and Principe dated March 9, 2018.</u>
10.9**	<u>Production Sharing Contract relating to Block 13 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe, BP Exploration (STP) Limited and Kosmos Energy Sao Tome and Principe dated March 9, 2018.</u>
10.10**	<u>Deed of Amendment and Restatement relating to the Facility Agreement, dated February 5, 2018 among Kosmos Energy Finance International, Kosmos Energy Operating, Kosmos Energy International, Kosmos Energy Development, Kosmos Energy Ghana HC, Kosmos Energy Senegal, Kosmos Energy Mauritania, Kosmos Energy Equatorial Guinea, Kosmos Energy Investments Senegal Limited, BNP Paribas and Standard Chartered Bank.</u>
31.1*	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document

101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.

** Furnished herewith.

PRODUCTION SHARING CONTRACT

between

THE REPUBLIC OF EQUATORIAL GUINEA

and

TRITON EQUATORIAL GUINEA, INC.

For Block G

Translated by Diego Giordano

PRODUCTION SHARING CONTRACT

between

THE REPUBLIC OF EQUATORIAL GUINEA

and

TRITON EQUATORIAL GUINEA, INC.

For Block G

<u>Section</u>	<u>Index</u>
Section I	- Scope and Definitions
Section II	- Term, Termination and Cancellation
Section III	- Surrender of Areas
Section IV	- Work Program and Expenditures
Section V	- Conduct of Petroleum Operations by Contractor
Section VI	- Rights and Obligations of the Parties, Determination of Production Levels
Section VII	- Recovery of Petroleum Operating Costs, Sharing of Production, and Distribution of Production
Section VIII	- Valuation of Crude Oil
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Annex "A"	- Map of Contract Area
Annex "B"	- Contract Area Coordinates
Annex "C"	- Accounting Procedure
Annex "D"	- Letter of Performance Guaranty by Parent for Contract Area G, The Republic of Equatorial Guinea
Annex "E"	- Coordinates for the 200m Isobath

PRODUCTION SHARING CONTRACT

between

THE REPUBLIC OF EQUATORIAL GUINEA

and

TRITON EQUATORIAL GUINEA, INC.

for Block G

THIS CONTRACT, made and entered into on this 26th day of March, 1997 by and between the REPUBLIC OF EQUATORIAL GUINEA (hereinafter referred to as the "STATE"), represented for purposes of this Contract by the MINISTRY OF MINES AND ENERGY of the REPUBLIC OF EQUATORIAL GUINEA (hereinafter referred to as the "MINISTRY"), and TRITON EQUATORIAL GUINEA, INC., a corporation organized and existing under the laws of the Cayman Islands (hereinafter referred to as "CONTRACTOR"), represented for purposes of this Contract by Thomas G. Finck, its President. STATE and CONTRACTOR hereinafter are referred to either individually as "Party" or collectively as "Parties."

W I T N E S S E T H:

WHEREAS, all Hydrocarbons existing within the territory of the Republic of Equatorial Guinea, including adjacent submerged lands, are national resources owned by the Republic of Equatorial Guinea; and

WHEREAS, the STATE wishes to promote the development of Hydrocarbon deposits in and throughout the Contract Area and CONTRACTOR desires to join and assist the STATE in accelerating the exploration and development of the potential resources within the Contract Area; and

WHEREAS, CONTRACTOR has the financial ability, technical competence and professional skills necessary to carry out the Petroleum Operations hereinafter described; and

WHEREAS, in accordance with the Hydrocarbons Law of the Republic of Equatorial Guinea, agreements in the form of Production Sharing Contracts may be entered into between the STATE and foreign investors;

THEREFORE, in consideration of the undertakings and covenants herein contained, the Parties hereby agree as follows:

SECTION I

SCOPE AND DEFINITIONS

1.1 SCOPE

This Contract is a Production Sharing Contract. In accordance with the provisions herein contained, the MINISTRY shall be responsible for the supervision of the Petroleum Operations contemplated in this Contract.

CONTRACTOR shall:

(a) be responsible to the STATE for the execution of the Petroleum Operations in accordance with the provisions of this Contract, and is hereby appointed and constituted the exclusive company to conduct Petroleum Operations in the Contract Area for term hereof;

(b) provide all necessary capital, machinery, equipment, technology and personnel necessary for the efficient conduct of Petroleum Operations;

(c) bear the risk of Petroleum Operations Expenditures required in carrying out Petroleum Operations and shall therefore have an economic interest in the rapid development of any commercial hydrocarbon deposits in the Contract Area. Such costs shall be included in Petroleum Operations Expenditures as recoverable or not recoverable as provided in Section VII and Annex "C" of this Contract.

During the term of this Contract the total production achieved in the conduct of the Petroleum Operations shall be divided between the Parties in accordance with the provisions of Section VII of this Contract.

1.2. DEFINITIONS

In this Contract, words importing the singular include the plural and vice versa, and except where the context otherwise indicates, shall have the meanings set forth in this Section. Words that are not defined herein, but are defined in the Hydrocarbons Law, shall have the meanings set forth in the Hydrocarbons Law.

(a) Person means any individual, corporation, partnership, joint venture, association, trust, estate, unincorporated organization of government or any agency or political subdivision thereof.

(b) Affiliated Company or Affiliate of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct, administer and dictate policies of such Person, through the ownership of fifty percent (50%) or more of such Person's voting rights; and the terms "control" and "controlled" have meanings correlative to the foregoing.

(c) Crude Oil means Hydrocarbons which are produced at the wellhead in liquid state at atmospheric pressure and asphalt and ozokerites and the liquid Hydrocarbons known as condensate obtained from Natural Gas by condensation or extraction by means of field separation units.

(d) Natural Gas means all Hydrocarbons that at atmospheric conditions of temperature and pressure are in a gaseous state. Included in this definition are wet mineral gas, dry mineral gas, wet gas

and residue gas remaining after the extraction processing or separation of liquid Hydrocarbons from wet gas.

(e) Exploration Operations means works to include without limitation geological studies; geophysical studies; aerial mapping; investigations relating to the subsurface geology; stratigraphic test drilling; exploratory and appraisal wells; and related activities such as drillsite preparation, surveying, and all work necessarily connected therewith, that is conducted in connection with exploration for and commercial assessment of Crude Oil and/or Natural Gas.

(f) Development and Production Operations means all operations other than Exploration Operations, including those to facilitate extraction, production, local transportation and storage of Crude Oil and Natural Gas produced as part of the offshore operations.

(g) Petroleum Operations means all Exploration Operations and Development and Production Operations.

(h) Exploration Expenditures means direct expenditures on Exploration Operations and overhead expenses made in connection with exploration and commercial assessment within the Contract Area. These expenditures shall be determined in accordance with the Accounting Procedure attached hereto as Annex "C", but expenditures made within the area of a Field after Commercial Discovery has been declared shall be excluded.

(i) Development and Production Expenditures means direct expenditures on Development and Production Operations and general expenses made in connection with the development of a Field, excluding expenditures made within the area of a Field before Commercial Discovery has been declared. These expenditures shall be determined in accordance with the Accounting Procedure attached hereto as Annex "C".

(j) Petroleum Operations Expenditures means expenditures made and obligations incurred in carrying out Petroleum Operations hereunder, determined in accordance with the Accounting Procedure attached hereto as Annex "C" and made a part hereof.

(k) Barrel means a quantity or unit of Crude Oil equal to 158.9874 liters (forty-two (42) United States gallons) at a temperature of 15.56 degrees Centigrade (sixty (60) degrees Fahrenheit) under one atmosphere of pressure.

(l) Field means an area within the Contract Area, as determined in accordance with Section 2.6.

(m) Well means any opening in the ground or seabed made or being made by drilling or boring, or in any other manner, for the purpose of discovering, and delineating and/or producing Crude Oil or Natural Gas, or for the injection of any fluid into an underground deposit, other than a seismic hole or a structure test hole or stratigraphic test hole.

(n) Commercial Discovery means a discovery of Hydrocarbons that, in the judgment of CONTRACTOR, can be produced commercially, based on its consideration of all pertinent operating and financial data.

(o) Work Program means an itemized statement of the Petroleum Operations to be carried out in the Contract Area as set forth in Section IV.

(p) Budget of Petroleum Operations Expenditures means the estimate of the costs of all items included in the Work Program.

(q) Calendar Year or Years means a period of twelve (12) months commencing January 1 and ending on the following December 31, according to the Gregorian Calendar.

(r) Contract Year means a period of twelve (12) consecutive months according to the Gregorian Calendar, starting from the Effective Date of this Contract or from the anniversary of such Effective Date.

(s) Gross Receipts means the sum of all sales proceeds and the monetary equivalent value of other Hydrocarbons dispositions from the Contract Area in any given Calendar Year.

(t) Income Tax means the tax levied on CONTRACTOR's net income pursuant to the Tax Law of the Republic of Equatorial Guinea.

(u) Calendar Quarter means a period of three (3) consecutive months beginning January 1, April 1, July 1, or October 1 and ending March 31, June 30, September 30 or December 31, respectively.

(v) Effective Date means the approval date of this Contract by the STATE in accordance with the provisions of the Hydrocarbons Law as evidenced by publication of this Contract in the Official Bulletin of the Republic of Equatorial Guinea or in the national information media (whichever publication occurs first), after approval of this Contract by the Supreme Court of Justice of the Republic of Equatorial Guinea and ratification by the President of the Republic of Equatorial Guinea.

(w) Foreign Exchange means currency acceptable to the Parties other than that of the Republic of Equatorial Guinea.

(x) Hydrocarbons Law means Decree-Law No. 7/1981 of 16 June, as amended.

(y) Contract Area means the geographic territory of the Republic of Equatorial Guinea the subject of this Contract. Such Contract Area is described in Annex "B" and delineated in Annex "A" attached hereto and incorporated herein.

(z) Royalty means for each Field, the percentages listed below corresponding to the cumulative production of all the Crude Oil produced, saved and sold from the said Field and not otherwise utilized in Petroleum Operations:

<u>CUMULATIVE FIELD PRODUCTION</u>	<u>ROYALTY</u>
The first 100 million barrels	10%
Greater than 100 million barrels to 300 million barrels	12.5%
Greater than 300 million barrels	15%

and ten percent (10%) of all the Natural Gas produced, saved and sold from the Contract Area and not otherwise utilized in Petroleum Operations.

(aa) Maximum Efficient Rate means the maximum rate of Hydrocarbons production in a Field, without excessive decline or loss of reservoir pressure, and in accordance with the norms and practices of the petroleum industry and Section 6.3 of this Contract.

(ab) Semester, as used in Section 7.8 means a period of six (6) consecutive months, commencing the first of January and the first of July of each Calendar Year.

(ac) Hydrocarbons means all natural, organic substances composed of CARBON and HYDROGEN including crude oil and natural gas and all other mineral substances, products, subproducts and by-products encountered in association therewith.

(ad) Area of Provisional Discovery is defined in Section 2.4.

(ae) Tax Law means Decree Law No. 1/1986 of February 10, of the Republic of Equatorial Guinea, as amended prior to the Effective Date.

(af) Exploration Well means a Well that is not a development, evaluation or injection well, and its only objective is to determine the existence of Hydrocarbons in a structure.

(ag) Evaluation Well means a Well drilled following a discovery of Hydrocarbons to delineate and locate the reservoir and to estimate the quantity of recoverable Hydrocarbons.

SECTION II

TERM, TERMINATION, AND CANCELLATION

2.1 CONTRACTOR is authorized to conduct Exploration Operations during an initial exploration period of five (5) years, starting from the Effective Date. When CONTRACTOR has fulfilled its obligations hereunder for the initial exploration period, then upon application of CONTRACTOR made not later than ninety (90) calendar days prior to the fifth, sixth, and seventh anniversary of the Effective Date, as the case may be, the MINISTRY shall extend the period when Petroleum Operations may be conducted as follows:

(a) after the fifth (5th) Contract Year for an additional period of one (1) Contract Year during which year CONTRACTOR shall drill in areas covered by waters less than two hundred (200) meters deep at least one (1) Exploration Well;

(b) after the sixth (6th) Contract Year for an additional period of one (1) Contract Year during which year CONTRACTOR shall drill in areas covered by waters less than two hundred (200) meters deep at least one (1) Exploration Well;

(c) if after the fifth (5th) Contract Year CONTRACTOR commits to drill at least one (1) Exploration Well in an area covered by water deeper than two hundred (200) meters, for an additional period of two (2) Contract Years; and

(d) if during the seventh (7th) Contract Year CONTRACTOR encounters a show of Hydrocarbons that CONTRACTOR believes is sufficient to warrant further evaluation drilling, for a period of one (1) Contract Year during which year CONTRACTOR shall drill one (1) Evaluation Well in an area designated by mutual agreement of MINISTRY and CONTRACTOR.

2.2 Notwithstanding anything contained herein, CONTRACTOR, at its sole discretion, after fulfilling its minimum Work Program for the first two (2) Contract Years pursuant to 4.3(a), may terminate this Contract in its entirety without further obligation except with respect to any obligation under this Contract due and owing at the time of said termination. Furthermore, CONTRACTOR shall have the option to extend the exploration period and to conduct Petroleum Operations beyond the first two (2) Contract Years as indicated below:

(a) After the second Contract Year, CONTRACTOR may elect to continue this Contract for an additional period of one (1) year, during which year CONTRACTOR will fulfill the minimum Work Program under Section 4.3(b)(i);

(b) After the third Contract Year, CONTRACTOR may elect to continue this Contract for an additional period of one (1) year, during which year CONTRACTOR will fulfill the minimum Work Program under Section 4.3(b)(ii);

(c) After the fourth Contract Year, CONTRACTOR may elect to continue this Contract for an additional period of one (1) year, during which year CONTRACTOR will fulfill the minimum Work Program under Section 4.3(b)(iii);

After fulfilling the minimum Work Program for each of the extension periods above, CONTRACTOR shall have the right to terminate this Contract in its entirety without further obligation except with respect to any obligations under this Contract due and owing at the time of said termination. CONTRACTOR shall make its election, if any, to extend the exploration period as provided in Sections 2.2(a), (b) and (c) above not later than ninety (90) calendar days prior to the second, third, and fourth anniversary of the Effective Date, as the case may be.

2.3 If CONTRACTOR has not elected to terminate this Contract pursuant to Section 2.2 and no Commercial Discovery has been made, and if CONTRACTOR does elect to extend the Contract beyond the fifth (5th) Contract Year pursuant to Section 2.1, then this Contract shall terminate automatically in its entirety except with respect to Areas of Provisional Discovery, which shall remain part of the Contract Area pending final determination by the CONTRACTOR as to whether said Area of Provisional Discovery will be declared a Commercial Discovery. However, an extension of one (1) year may be granted by the MINISTRY so CONTRACTOR may finish drilling and testing any Well actually being drilled or tested at the end of the fifth (5th), sixth (6th), seventh (7th) or eighth (8th) Contract Year.

2.4 Upon encountering indications of a substantial accumulation of Hydrocarbons in the Contract Area, the CONTRACTOR as soon as possible will notify the MINISTRY of this fact, indicating in the notice the particular details of the location, nature and size of the accumulation. After giving such notification to the MINISTRY, the CONTRACTOR as soon as practicable will submit to the MINISTRY a report showing the results of any preliminary production tests carried out, including, when necessary, the estimate of the oil or gas in place and the recoverable reserves of the accumulation and the approximate extension of said discovery in the Contract Area (hereinafter referred to as the "Area of Provisional Discovery"). The decision to delineate the Area of Provisional Discovery shall be at CONTRACTOR's discretion taking into account a reasonable interpretation of the data and shall be in accordance with normal petroleum industry practices.

2.5 Within each Area of Provisional Discovery CONTRACTOR shall carry out evaluation work including, as appropriate, seismic work and drilling. As soon as possible, CONTRACTOR shall determine whether the discovery is a Commercial Discovery. Provided that if there is insufficient time to properly evaluate the discovery within the then current exploration period, upon CONTRACTOR's request, the MINISTRY shall grant CONTRACTOR a reasonable extension to fully evaluate such discovery.

2.6 When it is determined that the discovery of Hydrocarbons is a Commercial Discovery in accordance with Section 2.5, CONTRACTOR shall notify the MINISTRY, and CONTRACTOR shall submit to the MINISTRY in writing, for its written approval, which approval will not be unreasonably withheld the following:

(a) a report including a map showing the extension of the area of Commercial Discovery within the Contract Area; the area when said report is accepted by MINISTRY will constitute a Field;

(b) a Work Program for development of the Field, including an estimate of the costs of Development and Production Expenditures necessary for the development of the Field;

(c) the estimated Maximum Efficient Rate of production (that shall be established in accordance with Section 6.3) that CONTRACTOR intends to produce the Field; and

(d) the schedule of the most accelerated program consistent with good international petroleum industry practice for implementation of CONTRACTOR's Work Program.

Any report submitted by CONTRACTOR to the MINISTRY will be deemed accepted by the MINISTRY ninety (90) calendar days after CONTRACTOR's submittal unless CONTRACTOR is notified otherwise in such time period by the MINISTRY.

2.7 This Contract will continue in existence with respect to each Field for a period of thirty (30) years with respect to Crude Oil and for forty (40) years with respect to Natural Gas starting from the date CONTRACTOR, in accordance with the provisions of Section 2.6, receives approval from the MINISTRY that the discovery of Hydrocarbons in such Field is a Commercial Discovery. In case of new Commercial Discoveries as a result of new exploratory drilling on formations that underlie or overlie each other or other deposits found within the extension of the area of the original Commercial Discovery, such formations will constitute only one Field, and the Field will be defined or redefined as may be necessary, to incorporate all of the underlying and overlying formations and all deposits located within the extension of the area of the original Commercial Discovery, and the provisions of Section 2.6 shall apply mutatis mutandis to any such new Commercial Discovery.

2.8 CONTRACTOR shall have the right to terminate this Contract totally or partially:

(a) with respect to any part of the Contract Area other than a Field then producing or that prior thereto had produced Crude Oil or Natural Gas upon giving ninety (90) calendar days written notice of its intention to do so; and

(b) with respect to any Field then producing or that prior thereto had produced Crude Oil or Natural Gas, upon giving one hundred eighty (180) calendar days written notice of its intention to do so.

2.9 Subject to Section 2.10, the STATE shall have the right to cancel this Contract upon giving sixty (60) calendar days written notice of its intention to do so, if CONTRACTOR:

(a) fails to make any monetary payment required by law or under this Contract for a period of thirty (30) calendar days after the due date for such payment;

(b) fails to comply with any other material obligation that it has assumed under this Contract;

(c) fails to comply with any regulations issued in accordance with this Contract by the MINISTRY, or any governmental department or agency of the Republic of Equatorial Guinea materially affecting the Petroleum Operations or the interests of the STATE referred to in this Contract;

(d) suspends its payments under this Contract, because of insolvency or makes a settlement with its creditors; or

(e) has not commenced production from a Field within the period of time specified in the development plan according to the terms and conditions specified in Section 2.5 without reasonable justification; provided that CONTRACTOR's actions or inactions, as the case may be, have a material impact on the Petroleum Operations and are not in accordance with industry standards.

2.10 If the circumstance or circumstances that would otherwise result in cancellation under Sections 2.9(a), (b), (c) or (d) are remedied by CONTRACTOR or CONTRACTOR begins to remedy the circumstance and proceeds with such remedy with due diligence within the sixty (60) calendar day period following the notice of termination as aforesaid, then such termination shall not become effective. If CONTRACTOR cannot completely rectify or remedy the cause or causes within the sixty (60) day period, the CONTRACTOR may request from the MINISTRY an extension or extensions to complete the remedies and the MINISTRY, according to the criteria generally accepted in the industry, shall not unreasonably withhold the approval of such extensions if CONTRACTOR is diligently pursuing the remedies.

2.11 The termination or cancellation of this Contract, for whatever reason, shall be without prejudice to the obligations incurred and not carried out by the STATE or CONTRACTOR before the termination of this Contract.

2.12 In the event of cancellation pursuant to Section 2.9, the MINISTRY may require CONTRACTOR to continue for the account of the STATE Crude Oil or Natural Gas production activities until the right to continue such production has been transferred by the MINISTRY to another Person. In this case, all provisions relevant to CONTRACTOR's entitlement under this Contract will remain in force. In no event shall CONTRACTOR have any obligations under this Section for more than ninety (90) calendar days after such termination, unless otherwise agreed to by the Parties.

2.13 Within ninety (90) calendar days after the termination of this Contract, unless the MINISTRY has required an extension of this period, CONTRACTOR shall have the obligation to take any reasonably necessary action as directed by the MINISTRY, including the cessation or continuation of Petroleum Operations to prevent pollution, environmental damage or a hazard to human life or third-party property.

SECTION III

SURRENDER OF AREAS

3.1 Subject to Section 3.3, CONTRACTOR shall surrender thirty percent (30%) of the original Contract Area no later than the end of the third Contract Year.

3.2 Subject to Section 3.3, if CONTRACTOR elects to extend the exploration period pursuant to Section 2.1 above, CONTRACTOR shall surrender an additional area equal to twenty percent (20%) of the remaining Contract Area no later than the end of the fifth Contract Year.

3.3 CONTRACTOR shall not be obligated to surrender any portion of the original Contract Area declared an Area of Provisional Discovery or a Field. CONTRACTOR's surrender obligations under Sections 3.1 and 3.2 shall apply to the area remaining after excluding from the original Contract Area areas declared to be an Area of Provisional Discovery or a Field and areas previously surrendered by CONTRACTOR.

3.4 After the mandatory surrenders as set forth in this Section III, CONTRACTOR shall maintain a reasonable exploration effort with regard to the remaining portion of the Contract Area.

3.5 Upon at least thirty (30) calendar days written notice to the MINISTRY prior to the end of the first Contract Year and similarly prior to the end of any succeeding Contract Year, CONTRACTOR may surrender any portion of the Contract Area, and such portion shall then be credited against that portion of the Contract Area CONTRACTOR is next required to surrender under the provisions of Sections 3.1 and 3.2 hereof.

3.6 CONTRACTOR shall notify the MINISTRY sixty (60) calendar days prior to the date of surrender, the description of the portion of the area to be surrendered. The individual portions being surrendered, whenever possible, shall be of sufficient size and convenient shape, taking into account contiguous areas already relinquished and not the subject of a further contract, to enable Petroleum Operations to be carried out thereon and the boundaries of such areas shall be delineated in exact degrees, minutes and seconds of longitude and latitude.

3.7 CONTRACTOR shall plug and abandon all Wells drilled by CONTRACTOR on the area to be surrendered in accordance with generally accepted oilfield practices.

3.8 No surrender made in accordance with this Section III shall relieve CONTRACTOR or its surety of the obligation to pay surface rentals accrued, or making payments due and payable as a result of exploration and development activities conducted through the date of surrender.

SECTION IV

WORK PROGRAM AND EXPENDITURES

4.1 CONTRACTOR shall commence Petroleum Operations hereunder not later than ninety (90) calendar days after the Effective Date.

4.2 CONTRACTOR shall be entitled to employ any person qualified, in the judgment of CONTRACTOR, to undertake on its behalf such geological and geophysical surveys, drillings or similar investigations as it may decide. Any subcontractor retained by CONTRACTOR shall have the necessary professional experience to perform the task assigned and shall be required, by written agreement with CONTRACTOR, to abide by all relevant terms of this Contract and all applicable laws and regulations of the Republic of Equatorial Guinea. CONTRACTOR within thirty (30) calendar days shall advise the MINISTRY of the name and address of any subcontractor retained.

4.3 During the first five (5) Contract Years CONTRACTOR agrees to perform the following minimum Work Program:

(a) FIRST TWO CONTRACT YEARS:

- (i) Reprocess approximately one-thousand eight-hundred (1,800) kilometers

of existing seismic data;

- (ii) Acquire one-thousand (1,000) kilometers of new seismic data;

- (iii) Drill one (1) Well; and

- (iv) Prepare and submit an interpretive geologic study of the hydrocarbon potential of the Rio Muni area;

(b) THIRD, FOURTH AND FIFTH CONTRACT YEARS:

CONTRACTOR shall perform the following work in the event it exercises the option to extend pursuant to Sections 2.2(a), 2.2(b) or 2.2(c):

(i) Drill one (1) Well in third Contract Year contingent upon the identification of a structure which, in CONTRACTOR's opinion, is a drillable prospect, and conduct additional geological studies and associated analyses of technical data as CONTRACTOR deems appropriate;

(ii) Drill one (1) Well in the fourth Contract Year and conduct additional geological studies and associated analyses of technical data as CONTRACTOR deems appropriate;

(iii) Drill one (1) Well in fifth Contract Year contingent upon the identification of a structure which, in CONTRACTOR's opinion, is a drillable prospect, and conduct additional geological studies and associated analyses of technical data as CONTRACTOR deems appropriate.

4.4 In case the work completed by CONTRACTOR during any phase referred to in Section 4.3 exceeds the minimum work for that phase, the excess work may be carried forward and credited against the minimum work obligation in the next succeeding phase.

4.5 As a condition precedent to the effectiveness of this Contract CONTRACTOR shall provide a security by means of a parent company performance guarantee to the MINISTRY substantially in the form of the guaranty set forth in Annex "D" and corresponding to Four Million United States Dollars (U.S. \$4,000,000) for each Well CONTRACTOR commits to drill and One Million United States Dollars (U.S. \$1,000,000) for other Petroleum Operations CONTRACTOR commits to conduct during the first two (2) Contract Years. If CONTRACTOR extends the period for Exploration Operations pursuant to Section 2.1 or 2.2, then CONTRACTOR on or before the date any such extension becomes effective shall provide an additional parent company performance guarantee as security substantially in the form of the

guaranty set forth in Annex "D" and corresponding to an amount to be determined at the time of the extension by the MINISTRY and CONTRACTOR for Petroleum Operations CONTRACTOR commits to conduct during the period of any such extension. If at the end of the period of the phases for Exploration Operations, including any extension thereof made pursuant to Sections 2.1 and 2.2 hereof, or upon the date of termination of this Contract, whichever first occurs, CONTRACTOR has not performed the obligations described in the minimum Work Program, the balance of the security corresponding to the minimum expenditures for Petroleum Operations and the entirety of the security corresponding to the Well shall be paid automatically to the STATE in accordance with the provisions of Annex "D".

4.6 One hundred twenty (120) calendar days prior to the beginning of each Calendar Year or at such other time as otherwise mutually agreed by the Parties, CONTRACTOR shall prepare and submit for approval to the MINISTRY a Work Program and Budget of Petroleum Operations Expenditures for the Contract Area setting forth the Petroleum Operations CONTRACTOR proposes to carry out during the ensuing Calendar Year. After thirty (30) calendar days and within a period of ninety (90) calendar days of its submission, the MINISTRY may ask for clarification of the Work Program and Budget of Petroleum Operations Expenditures and/or submit proposals for consideration by the CONTRACTOR for the revision of specific features thereof relating to the type and cost of the works and operations. In the absence of such proposals or a request for clarification, the Work Program and Budget of Petroleum Operations Expenditures shall be deemed to have been approved by the MINISTRY. Approval by the MINISTRY of the proposed Work Program and Budget of Petroleum Operations Expenditures will not be unreasonably withheld or delayed. If the Parties cannot agree on the Work Program and Budget of Petroleum Operations Expenditures, CONTRACTOR is hereby authorized to begin work necessary to carry out its proposed Work Program in a timely and practical manner until the Parties reach a mutually acceptable Work Program and Budget of Petroleum Operations Expenditures. The MINISTRY shall give a letter to CONTRACTOR authorizing in a provisional manner the beginning of said provisional Work Program and Budget of Petroleum Operations Expenditures until the MINISTRY approves the final Work Program and Budget of Petroleum Operations Expenditures. The Parties shall meet within a period of fifteen (15) days from the date of issuance of the provisional Work Program and Budget of Petroleum Operations Expenditures from the MINISTRY and use all diligence to reach a mutually acceptable agreement.

4.7 It is recognized by the Parties that the details of a Work Program may require changes in the light of unforeseen circumstances and nothing herein contained shall limit the right of CONTRACTOR to make such changes, provided such changes do not alter the general objectives of the Work Program.

4.8 The Parties further recognize that in the event of an emergency or extraordinary circumstance requiring immediate action, either Party may take actions it deems proper or advisable to protect its interests and those of its employees and any costs so incurred by CONTRACTOR shall be included in the Petroleum Operations Expenditures. Costs incurred by CONTRACTOR related to measures of prevention and protection related to the environment shall be included as costs of Petroleum Operations Expenditures as cost recoverable. Costs incurred by CONTRACTOR related to cleaning up pollution or damage to the environment caused by CONTRACTOR shall not be included in Petroleum Operations Expenditures and shall not be cost recoverable, except the first Two Hundred Thousand United States Dollars (U.S. \$200,000) per occurrence related to such cleanup or damages per incident shall be included as costs of Petroleum Operations Expenditures and shall be cost recoverable.

4.9 Within ninety (90) calendar days after the expiration of a Calendar Year, CONTRACTOR shall submit to the MINISTRY detailed accounts showing the Exploration and/or Development and Production Expenditures CONTRACTOR has incurred during the past Calendar Year. The accounts shall be certified by an independent outside accountant acceptable to both Parties. It is understood that the MINISTRY retains the authority to review and audit occasionally CONTRACTOR's books with respect to Petroleum Operations conducted hereunder. Such audit right will terminate two (2) years after closure of the subject year's accounts. Any exceptions to CONTRACTOR's accounts must be officially communicated to the CONTRACTOR within three (3) years of the closure of the subject year's accounts.

4.10 During the term of this Contract, CONTRACTOR in accordance with good petroleum industry practice shall be responsible for carrying out all the necessary work in connection with abandonment (which includes the removal, proper disposal, alternative innovative recycling or salvage) of any Petroleum Operations facilities, including but not limited to platforms, artificial structures, wellhead equipments, tubulars, and flowlines deemed by the MINISTRY to be unusable or no longer required for future operations. CONTRACTOR shall submit for the MINISTRY's approval detailed work plans for such removal, disposal or salvage. All costs incurred by CONTRACTOR to remove, dispose or salvage such facilities shall be cost recoverable. For the purpose of setting up a financial mechanism to recover such costs earlier in the life of a Field, CONTRACTOR and the MINISTRY shall agree on a mechanism and modality for setting aside a reserve on CONTRACTOR's books as part of Petroleum Operations Expenditures, subject to cost recovery, to be used for such removal, disposal or salvage operations, no later than two years after commencement of the first commercial production.

SECTION V

CONDUCT OF PETROLEUM OPERATIONS BY CONTRACTOR

5.1 CONTRACTOR shall conduct the Petroleum Operations diligently and in accordance with generally accepted standards of the petroleum industry designed to enable production at the Maximum Efficient Rate of Crude Oil and at the level of production of Natural Gas specified in Section 6.3. CONTRACTOR shall ensure that all equipment, plant and installations used by CONTRACTOR or its subcontractors comply with generally accepted engineering norms and are of proper and accepted construction and are kept in optimal working order.

5.2 CONTRACTOR shall in particular take all reasonable steps necessary in accordance with generally accepted standards of the petroleum industry to:

- (a) without prejudice to Section 5.3, ensure that Crude Oil or Natural Gas discovered and produced within the Contract Area does not escape or is not in any other way wasted;
- (b) prevent damage to under or over Crude Oil or Natural Gas-bearing strata;
- (c) prevent the nonintentional entrance of water through Wells to Crude Oil or Natural Gas-bearing strata;
- (d) prevent damage to under or over waterbearing strata;
- (e) conduct all Petroleum Operations under this Contract in accordance with applicable law and regulations and in a manner that does not conflict with obligations imposed on the Republic of Equatorial Guinea by international law;

(f) take necessary precautions for protection of navigation and fishing and to prevent pollution of the sea or rivers;

(g) indemnify, defend and save the STATE harmless against all claims, losses and damage of any nature whatever, including without limitation, claims for loss or damage to property or injury to persons caused by, or resulting from, any operation conducted by or on behalf of CONTRACTOR; provided that the CONTRACTOR shall not be held responsible to the STATE under this subsection for any loss, claim, damage, or injury caused by, or resulting from any negligent action of personnel of the STATE including, but not limited to subcontractors of the STATE, other than CONTRACTOR, and employees of the STATE;

(h) subject to Section 2.4, drill and produce a Field without regard to CONTRACTOR's contractual interest, if any, in an adjacent contract area.

5.3 The Natural Gas CONTRACTOR does not utilize in its own operations in the Contract Area, or sell, shall be reinjected into the subsurface structure. When the existing technical and financial circumstances require the flaring of Natural Gas, the MINISTRY may authorize such flaring. The MINISTRY shall, nevertheless, authorize the flaring of Natural Gas for periods of relatively short duration during production tests, and in cases when the flaring of relatively small quantities of Natural Gas is a necessary part of Crude Oil production and is in accordance with good practice within the petroleum industry.

5.4 If any works or installations erected by CONTRACTOR or any operations undertaken by CONTRACTOR endanger Persons or third party property or cause pollution or harm marine life to an unacceptable degree, the CONTRACTOR, in consensus with the MINISTRY, shall take opportune remedial measures within a reasonable period established by the MINISTRY and the CONTRACTOR to repair any damage to the environment. CONTRACTOR shall, if required by the nature and severity of the damage, suspend the Petroleum Operations in whole or in part until CONTRACTOR has taken such remedial measures or has repaired the damage.

5.5 To ensure that CONTRACTOR shall meet its obligations to third parties or to government agencies that might arise in the event of damage or injury (including environmental damage or injury) caused by Petroleum Operations, notwithstanding its accidental nature, CONTRACTOR shall maintain in force a third party liability insurance policy covering its Petroleum Operations. CONTRACTOR shall provide to the MINISTRY, within thirty (30) calendar days after the Effective Date, documents that prove the effectiveness of CONTRACTOR's third party liability insurance covering its Petroleum Operations. To the extent such third party liability insurance is unavailable, or is not obtained, or does not cover part or all of any claim or damage caused by or resulting from Petroleum Operations, including damage to the environment as mentioned in Section 4.8, CONTRACTOR shall remain wholly responsible and shall defend, indemnify and hold harmless the MINISTRY and the STATE against all claims or loss, except for claims arising from the negligence of the MINISTRY or STATE or their employees or their subcontractors other than CONTRACTOR.

5.6 If, after the Effective Date of this Contract, others are granted permits or licenses within the Contract Area for exploration/production of any minerals other than Crude Oil or Natural Gas, CONTRACTOR shall use his best efforts to avoid obstruction or interference with such licensees'

operations within the Contract Area. The MINISTRY shall use its best efforts to ensure that operations of third parties do not obstruct CONTRACTOR's Petroleum Operations within the Contract Area.

5.7 CONTRACTOR shall provide acceptable working conditions, living accommodations on offshore installations, and access to medical attention and an infirmary for all personnel employed by CONTRACTOR or its subcontractors in its Petroleum Operations.

5.8 CONTRACTOR's Well design and drilling, including but not limited to CONTRACTOR's casing, cementing and drilling programs shall be in accordance with generally accepted industry practice.

5.9 Every Well shall be identified by a number, and shall be shown on maps, plans and similar records CONTRACTOR is required to keep. The MINISTRY shall at once be notified of any change on the identification numbers.

5.10 No Well shall be drilled through any vertical boundary of the Contract Area. A directional Well drilled to an objective under the Contract Area from a nearby surface location not covered by the Contract shall be deemed to have the same effect for all purposes of the Contract as a Well drilled from a surface location on the Contract Area. In such circumstances and for purposes of this Contract, production of Crude Oil or Natural Gas from the Contract Area through a directional Well surfaced nearby, or drilling or reworking of any such directional Well, shall be considered production or drilling or reworking operations (as the case may be) on the Contract Area for all purposes of this Contract. Nothing contained in this paragraph is intended or shall be construed as granting to the CONTRACTOR any leasehold interests, licenses, easements, or other rights the CONTRACTOR may have to acquire lawfully under the Hydrocarbons Law or from the MINISTRY or third parties.

5.11 Before commencing any work on drilling of any Well covered by a Work Program and Budget of Operating Expenditures or recommencing work on any Well on which work has been discontinued for more than six (6) months, CONTRACTOR shall give the MINISTRY seven (7) calendar days written notice; however, if the estimated amount to be spent on said work is less than One Hundred Thousand United States Dollars (U.S. \$100,000), notice shall not be required.

5.12 Before abandoning any Field CONTRACTOR shall give ninety (90) calendar days notice to the MINISTRY of its intention to abandon. Upon receipt of such notice, the MINISTRY may elect to assume operation of the Well or Wells proposed for abandonment; however, MINISTRY's operations shall not interfere with those of CONTRACTOR. The MINISTRY's failure to so elect, by notice to the CONTRACTOR in writing within the aforementioned ninety (90) day period, shall be deemed approval of the CONTRACTOR's proposal to abandon.

5.13 CONTRACTOR shall securely plug any Well that it intends to abandon to prevent pollution, damage to the environment, and possible damages to the reservoir.

SECTION VI

RIGHTS AND OBLIGATIONS OF THE PARTIES, DETERMINATION OF PRODUCTION LEVELS

6.1 Subject to the provisions of paragraphs (e) and (f) of this Section 6.1, CONTRACTOR shall have the following rights and obligations:

- (a) advance all necessary funds and purchase or lease all material, equipment and supplies required in connection with the Petroleum Operations;
- (b) furnish all technical aid, including foreign personnel, required for the performance of the Petroleum Operations;
- (c) furnish all such other funds for the performance of the Petroleum Operations as may be required, including payment to foreign entities performing services as subcontractors;
- (d) retain control to all leased property paid for with Foreign Exchange and brought into the Republic of Equatorial Guinea under the rules of temporary importation, and as such, shall have the right to freely export same from the Republic of Equatorial Guinea in accordance with the Hydrocarbons Law;
- (e) have the right prior notification to the MINISTRY to sell, assign, transfer, convey or otherwise dispose of any part or all of the rights and interests and obligations under this Contract to any Affiliated Company;
- (f) have the right to sell, assign, transfer, convey or otherwise dispose of all or any part of its rights and interests and obligations under this Contract to parties other than Affiliated Companies with the prior written consent of the MINISTRY, such consent shall not be unreasonably withheld, and shall be deemed granted if the MINISTRY does not respond to CONTRACTOR within sixty (60) calendar days of CONTRACTOR's written request for consent;
- (g) have the right at all times to enter and exit the Contract Area and any facilities used in the Petroleum Operations, wherever located;
- (h) have the right to use and have access to all geological, geophysical, drilling, Well, production and other information held by the MINISTRY or by any other governmental agency or enterprise, or enterprise in which the STATE participates, relating to the Contract Area, including Well location maps. The MINISTRY must supply the same to the CONTRACTOR;
- (i) submit in an appropriate form to the MINISTRY copies of all such geological, geophysical, drilling, well, production and other data, reports, interpretations and maps, and cuttings of all samples that have been obtained or compiled during the term hereof;
- (j) include in the Work Program and Budget of Petroleum Operations Expenditures the following sums to be spent on training personnel of the MINISTRY and citizens of the Republic of Equatorial Guinea for professional, skilled and technical jobs in CONTRACTOR's Petroleum Operations. In conjunction with the preparation of the annual Budget of Petroleum Operations Expenditures, CONTRACTOR and MINISTRY will jointly agree on a training program where these sums will be expended. CONTRACTOR agrees to be responsible for the implementation and direct funding of the referenced training programs, and the expenditures will be included as cost recoverable in its Petroleum Operations Expenditures:

(i) Fifty Thousand United States Dollars (U.S. \$50,000) in each of the first and second Contract Years;

(ii) Seventy-Five Thousand United States Dollars (U.S. \$75,000) in the third Contract Year and in every year thereafter until a Commercial Discovery is determined in accordance with Section 2.5. For the year when Commercial Discovery is determined, the training obligation to be spent under this Section 6.1(j)(ii) will be prorated from January 1 of that year through the date on which Commercial Discovery is determined;

(iii) One Hundred Thousand United States Dollars (U.S. \$100,000) per year from the time of determination of Commercial Discovery to the date of first commercial production. For the year when the training obligation under this Section 6.1(j)(iii) takes effect, the amount to be spent will be prorated from the date of determination of Commercial Discovery through December 31 of that year; and

(iv) Two Hundred Thousand United States Dollars (U.S. \$200,000) per year from the time of first commercial production and for each year thereafter until termination of the Contract. For the year when the training obligation under this Section 6.1(j)(iv) takes effect, the amount to be spent will be prorated from the date of first commercial production through December 31 of that year. CONTRACTOR shall make all reasonable efforts to employ and train citizens of the Republic of Equatorial Guinea in Petroleum Operations. CONTRACTOR may employ non-citizens, if in the opinion of CONTRACTOR and not contested by the MINISTRY, no Equatorial Guinean citizens can be found with sufficient skill and technical qualifications.

CONTRACTOR shall make similar requirements of any subcontractor. At intervals of not more than one year CONTRACTOR shall submit to the MINISTRY reports detailing the personnel employed and their residence when employed. CONTRACTOR shall provide, as CONTRACTOR deems necessary, on-the-job training for citizens of the Republic of Equatorial Guinea to undertake skilled and technical jobs in the Petroleum Operations. Costs and expenses of training citizens of Equatorial Guinea as well as costs and expenses for a program of training for the MINISTRY's personnel, shall be included in Petroleum Operation Expenditures;

(k) appoint an authorized representative for the Republic of Equatorial Guinea with respect to this Contract, who shall have an office in Equatorial Guinea;

(l) give preference to goods and services that are produced in the Republic of Equatorial Guinea or rendered by citizens of the Republic of Equatorial Guinea, provided such goods and services are offered at equally advantageous conditions with regard to quality, price, and immediate availability in the quantities and to the specifications required;

(m) pay to the STATE the corresponding taxes in accordance with the Tax Law;

(n) pay to the STATE the corresponding Royalty pursuant to the terms and conditions of this Contract;

(o) except as provided in Section 7.10 hereof, have the right during the term hereof to freely lift, dispose of and export its share of Crude Oil, and retain abroad the Foreign Exchange proceeds obtained therefrom;

(p) notify the MINISTRY at least forty-eight (48) hours before the abandonment of any Well.

6.2 The MINISTRY shall:

(a) except with respect to CONTRACTOR's obligation to pay the taxes set forth at paragraph 6.1 (m) of this Section VI, assume and discharge all other taxes CONTRACTOR would otherwise be subject, including transfer tax, import and export duties on materials, equipment and supplies brought into the Republic of Equatorial Guinea by CONTRACTOR, its contractors and subcontractors; likewise, it will comply with all taxes required with regard to property, capital, net worth, operations, remittances or transactions (whether exacted directly or by the requirement of stamp taxes on documents or the use of sealed paper), including any tax or levy on or in connection with operations performed hereunder by CONTRACTOR in accordance with this Contract. The MINISTRY shall not be obligated to pay CONTRACTOR's Royalty, Income Tax, nor taxes on tobaccos, liquor and personal income tax; nor shall it be obligated to pay the Income Tax and other taxes not listed in the preceding sentence payable by contractors and subcontractors. The obligations of the MINISTRY hereunder shall be deemed to have been complied with by the delivery to CONTRACTOR within one hundred and twenty (120) calendar days after the end of each Calendar Year, of documentary proof in accordance with fiscal laws of the Republic of Equatorial Guinea that liability for the above mentioned taxes has been satisfied, except that with respect to any of such liabilities that CONTRACTOR may be obligated to pay directly, the MINISTRY shall reimburse it within sixty (60) calendar days after receipt of invoice. The MINISTRY shall be consulted prior to payment of such taxes by CONTRACTOR or by any other party on CONTRACTOR's behalf;

(b) otherwise assist and expedite CONTRACTOR's execution of the Work Program by supplying or otherwise making available all necessary visas, work permits, import licenses, and rights of way and easements as may be required by CONTRACTOR or its subcontractors and made available from the resources under the MINISTRY's control;

(c) have title to all original data resulting from the Petroleum Operations including but not limited to geological, geophysical, petrophysical, engineering, well logs and completion, status reports, samples and any other data CONTRACTOR may compile or obtain during the term of this Contract; provided, however, that CONTRACTOR may retain copies of such data and further provided that such data shall not be disclosed to third parties by the MINISTRY without the consent of CONTRACTOR while this Contract remains in effect. However, for the purpose of obtaining new offers, the MINISTRY may show any third party geophysical and geological data with respect to that part or parts of the Contract Area acquired by CONTRACTOR and adjacent to the area of such new offers, provided that no such data shall be disclosed that was in the possession of the MINISTRY for less than eleven (11) months. Notwithstanding the foregoing, the MINISTRY may show data to advisors and consultants of the MINISTRY that agree to keep the data confidential;

(d) have the right at all reasonable times to inspect CONTRACTOR's Petroleum Operations, Hydrocarbon measuring devices, logs, plans, maps, and records relating to Petroleum Operations and surveys or investigations on or with regard to the Contract Area. MINISTRY shall make every effort to coordinate inspection activities to avoid interference with Petroleum Operations.

6.3 CONTRACTOR shall produce Crude Oil from the Contract Area at the Maximum Efficient Rate. CONTRACTOR and MINISTRY shall conduct a review of CONTRACTOR's production programs prior to the commencement of production from any Field and establish at that time by agreement the Maximum Efficient Rate and the production rate for Natural Gas and the dates the Maximum Efficient Rate and the production rate for Natural Gas will be reviewed and established in the future. In the case of Natural Gas, the production rate shall not be less than that required to satisfy any contracts then in existence for the sale of Natural Gas.

6.4 Subject to Section 5.2(b), the Crude Oil production rate shall not be less than that required to satisfy any contract in existence for the sale of Crude Oil. In no case the production rate shall damage the reservoir or reservoirs.

SECTION VII

RECOVERY OF PETROLEUM OPERATING COSTS, SHARING OF PRODUCTION, AND DISTRIBUTION OF PRODUCTION

CRUDE OIL:

7.1 The respective production shares of the STATE and the CONTRACTOR of Crude Oil produced and saved shall be determined in accordance with the definitions and procedures set forth in this Section VII.

7.2 After making Royalty payments to the STATE, CONTRACTOR shall be entitled to recover all Petroleum Operations Expenditures out of the sales proceeds or other disposition of Crude Oil produced and saved hereunder and not used in Petroleum Operations. Any Crude Oil remaining after making the Royalty payments to the STATE and after all Petroleum Operations Expenditures are recovered by CONTRACTOR shall be referred to hereinafter as "Net Crude Oil." Net Crude Oil shall be shared between the STATE and the CONTRACTOR in accordance with the procedures outlined below, designed to ensure total cost recovery by CONTRACTOR, followed by an escalation of the STATE's share based on increases in the CONTRACTOR's pre-tax rate of return:

CONTRACTOR's Pre-Tax <u>Rate of Return</u>	Total State Share <u>(% of Net Crude Oil)</u>	Total CONTRACTOR Share <u>(% of Net Crude Oil)</u>
Less than 18%	0%	100%
Greater or equal to 18% and less than 25%	10%	90%
Greater or equal to 25% and less than 40%	35%	65%
Equal or Greater than 40%	55%	45%

7.3 To determine STATE's share of Net Crude Oil, it shall first be necessary to calculate Net Cash Flow from Petroleum Operations ("Net Cash Flow"). Net Cash Flow for any given Calendar Year shall be determined by subtracting Royalty and Petroleum Operations Expenditures from Gross Receipts.

7.4 To calculate the STATE's Share of Net Crude Oil produced from the Contract Area, there are hereby established three (3) accounts: First Share Account ("FSA"); Second Share Account ("SSA"); and Third Share Account ("TSA").

7.4.1 First Share Account

a. For purposes of calculating the First Share Account, the following formula shall be used:

$$\text{FSA}(Y) = \text{FSA}(Y-1) (1 + .18 + i) + \text{NCF}(Y)$$

Where: FSA = First Share Account
Y = the Calendar Year in question
NCF = Net Cash Flow
i = the percentage change for the Calendar Year in question in the index of U.S. Consumer prices as reported for the first time in the monthly publication "International Financial Statistics" of the International Monetary Fund.

b. In any Calendar Year when FSA(Y) is negative, the STATE's share of Net Crude Oil determined with reference to the First Share Account shall be zero.

c. In any Calendar Year when FSA(Y) becomes positive, the CONTRACTOR for purposes of this section shall be deemed to have earned a pre-tax rate of return that is equal to or greater than eighteen percent (18%), and the STATE's share of Net Crude Oil determined with reference to the First Share Account shall be valued at an amount of Net Crude Oil equal to ten percent (10%) of FSA(Y).

d. In any Calendar Year immediately subsequent to a Calendar Year when FSA(Y) is positive, for purposes of applying the formula set forth in subsection (a) of this Section 7.4.1, FSA(Y-1) shall be equal to zero.

7.4.2 Second Share Account

a. For purposes of calculating the Second Share Account, the following formula shall be used:

$$\text{SSA}(Y) = \text{SSA}(Y-1) (1 + .25 + i) + (\text{NCF}(Y) - \text{GS I}(Y))$$

Where: SSA = Second Share Account
Y = the Calendar Year in question
NCF = Net Cash Flow
GS I = STATE Share of Net Crude Oil determined with reference to the First share Account
i = the percentage change for the Calendar Year in question in the index of U.S. Consumer prices as reported for the first time in the monthly publication "International Financial Statistics" of the International Monetary Fund.

b. In any Calendar Year when SSA(Y) is negative, the STATE's share of Net Crude Oil determined with reference to the Second Share Account shall be zero.

c. In any Calendar Year when SSA(Y) becomes positive, the CONTRACTOR for purposes of this section shall be deemed to have earned a pre-tax rate of return that is equal to or greater than twenty-five percent (25%), and the STATE's share of Net Crude Oil determined with

reference to the Second Share Account shall be valued at an amount of Net Crude Oil equal to twenty-seven and 778/1000 percent (27.778%) of SSA(Y).

d. In any Calendar Year immediately subsequent to a Calendar Year when SSA(Y) is positive, for purposes of applying the formula set forth in subsection (a) of this Section 7.4.2, SSA(Y-1) shall be equal to zero.

7.4.3 Third Share Account

a. For purposes of calculating the Third Share Account, the following formula shall be used:

$$\text{TSA}(Y) = \text{TSA}(Y-1) (1 + .40 + i) + (\text{NCF}(Y) - \text{GS I}(A) - \text{GS II}(Y))$$

Where:

- TSA = Third Share Account
- Y = the Calendar Year in question
- NCF = Net Cash Flow
- GS I = STATE share of Net Crude Oil determined with reference to the First Share Account
- GS II = STATE Share of Net Crude Oil determined with reference to the Second Share Account
- i = the percentage change for the Calendar Year in question in the index of U.S. Consumer prices as reported for the first time in the monthly publication "International Financial Statistics" of the International Monetary Fund.

b. In any Calendar Year when TSA(Y) is negative, the STATE's share of Net Crude Oil determined with reference to the Third Share Account shall be zero.

c. In any Calendar Year when TSA(Y) becomes positive, the CONTRACTOR for purposes of this section shall be deemed to have earned a pre-tax rate of return that is at least forty percent (40%), and the STATE's share of Net Crude Oil determined with reference to the Third Share Account shall be valued at an amount of Net Crude Oil equal to thirty and 769/1000 percent (30.769%) of TSA(Y).

d. In any Calendar Year immediately subsequent to a Calendar Year when TSA(Y) is positive, for purposes of applying the formula set forth in subsection (a) of this Section 7.4.3, TSA(Y-1) shall be equal to zero.

7.4.4 Total STATE Share

The total STATE Share of Net Crude Oil in any Calendar Year shall be the sum of the STATE Share of Net Crude Oil determined with reference to the First Share Account, the Second Share Account and the Third Share Account for such Calendar Year.

7.5 CONTRACTOR, if so directed by the STATE, shall be obligated to market all Crude Oil produced and saved from the Contract Area subject to the provisions hereinafter set forth.

7.6 Except as provided in paragraph 7.10, CONTRACTOR shall be entitled to take and receive and freely export Crude Oil allocated for recovery of Petroleum Operations Expenditures as well as its share of Net Crude Oil.

7.7 Title to the CONTRACTOR's share of Net Crude Oil under this Section VII, as well as to that portion of Crude Oil exported and sold to recover Petroleum Operations Expenditures, shall pass to CONTRACTOR at the wellhead.

7.8 If the MINISTRY elects to take any of the STATE's share of Net Crude Oil in kind, it shall so notify CONTRACTOR in writing not less than ninety (90) calendar days prior to the commencement of each Semester of each Calendar Year specifying the quantity that it elects to take in kind, such notice to be effective for the ensuing Semester of that Calendar Year (provided, however, that such election shall not interfere with the proper performance of any Crude Oil sales agreement for Crude Oil produced within the Contract Area that CONTRACTOR has executed prior to the notice of such election). Failure to give such notice shall be conclusively deemed to evidence the STATE elects not to take in kind. Any sale of the STATE's portion of Net Crude Oil shall not be for a term of more than one Calendar Year without the STATE's consent.

7.9 If the MINISTRY elects not to receive in kind the STATE's share of Crude Oil, then the MINISTRY may direct the CONTRACTOR to market or buy the STATE's share of production, whichever CONTRACTOR shall elect to do; provided, however, the price paid to the MINISTRY for the STATE's share of production shall not be less than the market price determined in accordance with Section VIII hereof. CONTRACTOR shall pay the STATE for the STATE's share of the production produced and saved for each Calendar Quarter; such payment shall be made within thirty (30) calendar days after the end of the Calendar Quarter when the production occurred.

7.10 In addition to the STATE's production share in accordance with the terms of this Contract, CONTRACTOR is obligated to sell to the STATE at not less than the market price in accordance with Section VIII hereof, if requested in writing, a portion of CONTRACTOR's share of Crude Oil for the internal consumption of the country in accordance with Section 15 of the Hydrocarbons Law, provided that CONTRACTOR's obligation hereunder does not interfere with any of CONTRACTOR's contracts with third parties.

7.11 Should the STATE and CONTRACTOR consider that the processing and utilization of Natural Gas is economical and choose to participate in the processing and utilization thereof, in addition to that used in secondary recovery operations, then the construction and installation of facilities for such processing and utilization shall be carried out pursuant to an approved Work Program. The recovery of costs of operations, sharing of production, and handling of production shall be effected according to the same general framework as that utilized for Crude Oil.

7.12 In the event that CONTRACTOR considers the processing and utilization of Natural Gas is not economical, the STATE may choose to take and utilize such Natural Gas that would otherwise be flared in accordance with the provisions of Section 5.3; all costs of taking and handling will be for the sole account and risk of the STATE.

SECTION VIII
VALUATION OF CRUDE OIL

8.1 Crude Oil sold to third parties shall be valued as follows:

(a) All Crude Oil taken by CONTRACTOR, including its share and the share for the recovery of Petroleum Operations Expenditures, and sold to third parties shall be valued at the net realized price received by CONTRACTOR for such Crude Oil F.O.B the Republic of Equatorial Guinea at the point Crude Oil passes through the inlet flange of the export tanker.

(b) Except for the Royalty, all of the STATE's Crude Oil taken by CONTRACTOR and sold to third parties shall be valued at the net realized price received by CONTRACTOR for such Crude Oil F.O.B the Republic of Equatorial Guinea at the point Crude Oil passes through the inlet flange of the export tanker, less costs incurred by CONTRACTOR related to the sale of STATE's Crude Oil.

(c) The MINISTRY shall be duly advised before the sales referred to in paragraph (b) of this subsection are made.

(d) Subject to any existing Crude Oil sales agreement, if a more favorable net realized price is available to the STATE for the Crude Oil referred to in paragraph (b) of this subsection, then the MINISTRY shall so advise CONTRACTOR in writing not less than ninety (90) calendar days prior to the commencement of the deliveries under the STATE's proposed sales contract. Forty-five (45) calendar days prior to the start of such deliveries, CONTRACTOR shall notify the MINISTRY regarding CONTRACTOR's intention to meet the more favorable net realized price in relation to the quantity and period of delivery pursuant to said proposed sales contract. In the absence of such notice the STATE shall market its Crude Oil.

(e) The STATE's marketing of such Crude Oil as referred to in paragraph (d) of this subsection shall continue until forty-five (45) calendar days after the STATE's net realized price on said Crude Oil becomes less favorable. CONTRACTOR's obligation to market said Crude Oil shall not apply until after the STATE has given CONTRACTOR at least sixty (60) calendar days advance notice that the STATE does not desire to continue such sales. As long as the STATE is marketing the Crude Oil referred to above it shall notify CONTRACTOR of the more favorable net realized price.

8.2 Crude Oil sold to other than third parties shall be valued as follows:

(a) By using the weighted average per unit price received by CONTRACTOR and the STATE from sales to third parties F.O.B at the point Crude Oil passes through the inlet flange of the export tanker in the Republic of Equatorial Guinea, net of commissions and brokerages paid in relation to such third party sales, during the three (3) months preceding such sale, adjusted as necessary for quality, grade and gravity, and taking into consideration any special circumstances with respect to such sales;

(b) If no such third party sales have been made during such period of time, then on the basis used to value Crude Oil of similar quality, grade and gravity and taking into consideration any special circumstances with respect to sales of such similar Crude Oil.

8.3 Third party sales referred to in this section shall mean sales by CONTRACTOR to independent purchasers of CONTRACTOR, entered into in an arm's length transaction between a willing seller and a willing purchaser on commercial terms reflecting current international open market conditions.

8.4 Commissions or brokerages incurred in connection with sales to third parties, if any, shall not exceed the customary and prevailing rate.

8.5 During any given Calendar Year, the handling of production (i.e. the implementation of the provisions of Section VII hereof) and the proceeds thereof shall be provisionally dealt with on the basis of the relevant Work Program and Budget of Petroleum Operations Expenditures based upon estimates of quantities of Crude Oil to be produced, of internal consumption in the Republic of Equatorial Guinea, of marketing possibilities, of prices and other sale conditions as well as of any other relevant factors. Within thirty (30) calendar days after the end of said given Calendar Year and to comply with the provisions of this Contract, adjustments and cash settlements between the Parties shall be made on the basis of the actual quantities, amounts and prices involved.

8.6 In the event the Petroleum Operations require the segregation of Crude Oils of different quality and/or grade and if the Parties do not otherwise mutually agree:

(a) any and all provisions of this Contract concerning valuation of Crude Oil shall apply individually to each segregated Crude Oil;

(b) Crude Oil produced and segregated in a given year shall contribute to:

(i) the "required quantity" allotted in such year to the recovery of all Petroleum Operations Expenditures pursuant to Section VII;

(ii) the "required quantity" of Crude Oil a Party is entitled in such Year pursuant to Section VII.

with quantities that bear the same proportion to the respective "required quantity" (referred to in (i) or (ii) above) as the quantity of such Crude Oil produced and segregated in such given Year bears to the total quantity of Crude Oil produced in such Year from the Contract Area.

SECTION IX

BONUSES AND SURFACE RENTALS

9.1 On the Effective Date, CONTRACTOR shall pay the STATE the sum of Seven Hundred Fifty Thousand United States Dollars (U.S. \$750,000) as a signature bonus.

9.2 On the date CONTRACTOR notifies MINISTRY it has made a Commercial Discovery, CONTRACTOR shall pay the STATE the sum of Seven Hundred Fifty Thousand United States Dollars (U.S. \$750,000).

9.3 CONTRACTOR shall pay the STATE a one-time payment of One Million Five Hundred Thousand United States Dollars (U.S. \$1,500,000) after daily production from the Contract Area averages for the first time twenty thousand (20,000) barrels per day for a period of sixty (60) calendar days; CONTRACTOR shall also pay the STATE a one-time payment of Two Million Five Hundred Thousand United States Dollars (U.S. \$2,500,000) after daily production from the Contract Area averages for the first time thirty thousand (30,000) barrels per day for a period of sixty (60) calendar days. Such payments shall be made within thirty (30) calendar days following the last day of the respective sixty (60) calendar day period.

9.4 From the Effective Date and throughout the period CONTRACTOR is conducting Exploration Operations, CONTRACTOR shall pay to the STATE an annual surface rental of One United States Dollar (U.S. \$1.00) per hectare for all parts of the Contract Area covered by less than two hundred (200) meters of water and Fifty United States Cents (U.S. \$.50) per hectare for all parts of the Contract Area covered by two hundred (200) meters or more of water where CONTRACTOR is authorized to conduct Exploration Operations. From the expiration of the Exploration Operations until termination of this Contract, CONTRACTOR shall pay to the STATE an annual surface rental of Two United States Dollars (U.S. \$2.00) per hectare for all parts of the remaining Contract Area. The MINISTRY and CONTRACTOR agree that the coordinates shown in Annex "E" attached hereto represent the boundary where the two hundred (200) meter depth occurs and the basis for calculating the rental payments. For the year this Contract is signed, the surface rentals shall be prorated from the Effective Date through December 31 of that year, and shall be paid thirty (30) calendar days after the Effective Date. For succeeding years the surface rentals shall be paid in advance, thirty (30) calendar days before the beginning of each Calendar Year.

9.5 (a) The production bonus payments required by Section 9.3 hereof shall be included in Petroleum Operations Expenditures as cost recoverable.

(b) The signature bonus, Commercial Discovery bonus and surface rentals required by Sections 9.1, 9.2, and 9.4 of this Contract shall not be included as cost recoverable in Petroleum Operations Expenditures.

SECTION X

PAYMENTS

10.1 All payments to be made by CONTRACTOR to the STATE pursuant to this Contract shall be made to the Treasury of the STATE in United States currency, or at CONTRACTOR's election, in other currency acceptable to the STATE.

10.2 All payments due CONTRACTOR shall be made in United States Dollars, or at the STATE's election, in other currency acceptable to CONTRACTOR, at a bank to be designated by CONTRACTOR.

10.3 Unless otherwise specifically provided herein, any payments required to be made pursuant to this Contract shall be made within thirty (30) calendar days following the end of the month when the obligation to make such payments occurs.

10.4 At the end of each accounting period any gain or loss on the CONTRACTOR's books caused by variations in the exchange rates will be deducted or added, as the case may be, from its costs and expenses for that period, in case CONTRACTOR's accounting is done in FCFA (French Africa Confederation Francs) or in any other currency agreed to by the Parties other than United States Dollars.

SECTION XI TITLE TO EQUIPMENT

11.1 The equipment and fixed installations purchased by CONTRACTOR for use in Development and Production Operations becomes the property of the STATE when the term of this Contract expires. Nevertheless, the equipment and fixed installations amortized before the expiration of the Contract, could be used by the STATE providing such use does not interfere with CONTRACTOR's activities.

11.2 The provisions of Section 11.1 of this Section XI shall not apply to the equipment of CONTRACTOR or any of its subcontractors that constitute an indispensable element in the production of Hydrocarbons; such equipment may be freely exported from the Republic of Equatorial Guinea, if it has not been amortized.

SECTION XII UNITIZATION

12.1 If a Field is designated within the Contract Area and it extends to other parts of the Republic of Equatorial Guinea where other parties have obtained a Contract for exploration and production of Crude Oil or Natural Gas, or where another Contract has been granted to the CONTRACTOR, the MINISTRY may demand the production of Crude Oil and Natural Gas be carried out in collaboration with the other contractors. The same rule shall be applicable if deposits of Crude Oil or Natural Gas, within the Contract Area, not commercially recoverable are deemed as commercially exploitable if the production includes those parts of the deposits extending to areas controlled by other contractors.

12.2 If the MINISTRY so orders, CONTRACTOR shall collaborate with other contractors in preparing a collective proposal for approval by the MINISTRY for common production of the deposits of Crude Oil or Natural Gas.

12.3 If the proposal for common production has not been presented within the time period established, or if the MINISTRY does not approve that proposal (such approval shall not be unreasonably denied or delayed), the MINISTRY may prepare or cause to be prepared for the account of the parties involved, a plan for common production. If the MINISTRY adopts such plan, the CONTRACTOR shall comply with all the conditions established in such plan.

12.4 This Section XII shall also be applicable to discoveries of deposits of Crude Oil or Natural Gas within the Contract Area that extend to areas not within the dominion of the Republic of Equatorial Guinea; provided that with respect to the production of such deposits of Crude Oil or Natural Gas, the MINISTRY is empowered to impose the special rules and conditions necessary to satisfy obligations under agreements with international organizations or adjacent states.

12.5 Within one hundred eighty (180) calendar days following a request by the MINISTRY, CONTRACTOR shall agree and proceed to operate under any cooperative or unitary plan for the development and operation of the area, Field or pool, or a part of the same, including areas covered by this Contract, the MINISTRY deems feasible and necessary or advisable for purposes of conservation. If a clause of a cooperative or unitary development plan approved by the MINISTRY that by its terms affects the Contract Area or a part of the same or contradicts a clause of this Contract, the clause of the cooperative or unitary plan shall prevail.

12.6 Notwithstanding Section 12.5, in the event of conflicting clauses between the terms of the Contract and the cooperative or unitary plan, CONTRACTOR shall retain the right to conciliation and arbitration under Section XIII.

SECTION XIII
CONSULTATION AND ARBITRATION

13.1 The STATE and CONTRACTOR hereby consent to submit to the jurisdiction of the International Centre for Settlement of Investment Disputes (hereinafter the "Centre") for any dispute arising out of or relating to this Contract or relating to any investment made under it, for settlement by conciliation followed, if the dispute remains unresolved within three (3) months of the communication of the report of the Conciliation Commission to the parties, by arbitration, pursuant to the Convention of the Settlement of Investment Disputes between States and Nationals of Other States (hereinafter the "Convention").

13.2 The MINISTRY is a governmental agency of the Republic of Equatorial Guinea that has been designated to the Centre by the STATE pursuant to Articles 25(1) and 25(3) of the Convention and the Republic of Equatorial Guinea has notified the Centre that the agreements executed by the MINISTRY do not require approval (the Government has approved said Consent Agreement by decree.

13.3 It is agreed by the Parties to this Contract that CONTRACTOR is a citizen of the Cayman Islands.

13.4 It is hereby agreed by the Parties that the consent to the Centre's Jurisdiction stipulated above, shall equally bind any successor in interest to the Government of Republic of Equatorial Guinea and CONTRACTOR to the extent that Centre can assume jurisdiction over a dispute between the successor and the other Party.

13.5 It is hereby agreed that the right of CONTRACTOR to request the settlement of a dispute by the Centre or to take any step as a party to a proceeding in accordance with this clause shall not be affected by CONTRACTOR receiving partial compensation, conditional or absolute, from any Third Party (whether a private person, a state, a government agency or an international organization) with respect to any material loss or injury that is the subject of the dispute; provided that the Republic of Equatorial Guinea may require evidence that such third party agrees to the exercise of those rights by CONTRACTOR.

13.6 Since the Republic of Equatorial Guinea is not a signatory to the Convention, it is hereby agreed that Section XIII shall be in force on the effective date of the Convention as regards this State, and that date shall be considered as the date the Parties consented to submit disputes to the Centre. Until thirty (30) days after the ratification of the Convention by the Republic of Equatorial Guinea of the procedures for settlement of disputes provided for in this Section, all disputes shall be settled by procedures similar to those applicable under the Convention, except that the proceedings shall be initiated by direct communication between the Parties, and if the Tribunal is not constituted within ninety (90) calendar

days following the receipt of such communication, either Party may request the Centre's Secretary General to appoint any arbitrators not yet appointed.

Any Tribunal constituted regarding a dispute submitted to the Centre pursuant to this Section shall consist of one arbitrator appointed by each Party, and an arbitrator appointed by the Centre's Chairman of the Administrative Council who shall be President of the Tribunal.

13.7 Any Tribunal constituted pursuant to this Contract shall apply the law of the Republic of Equatorial Guinea. Such Tribunal constituted pursuant to this Contract shall have the power to decide a dispute ex aequo et bono.

13.8 Notwithstanding Section 13.6, if conciliation or arbitration under the Convention are unavailable because the jurisdictional requirements ratione personae of Article 25 of the Convention is unfulfilled at the time a proceeding is instituted pursuant to this Section XIII, the Parties agree to conciliation or arbitration, as the case may be pursuant to Section 13.1, in accordance with the Arbitration (Additional Facility) Rules of the Centre.

13.9 The place of arbitration shall be Washington, D.C., United States of America, and the arbitration shall be held at the seat of the Centre. The language of the proceedings shall be Spanish.

SECTION XIV

BOOKS AND ACCOUNTS AND AUDITS

14.1 BOOKS AND ACCOUNTS

CONTRACTOR shall be responsible for keeping books and accounts reflecting all Petroleum Operations Expenditures as well as revenue received from the sale of Crude Oil and Natural Gas, consistent with modern petroleum industry practices and proceedings as described in Annex "C" attached hereto. Such books and accounts shall be maintained in United States Dollars. Should there be any inconsistency between the provisions of this Contract and the provisions of Annex "C," the provisions of this Contract shall prevail.

14.2 AUDITS

The STATE shall have the right to inspect and audit CONTRACTOR's books and accounts relating to this Contract in accordance with Section 4.9. If CONTRACTOR's books and accounts are not available for inspection in the Republic of Equatorial Guinea, the STATE shall have the right to audit the CONTRACTOR's books and accounts at the CONTRACTOR's headquarters; in this case, the expenses of the audit shall be paid by the CONTRACTOR. Moreover, the STATE will require CONTRACTOR to engage independent accountants to examine, in accordance with generally accepted auditing standards, CONTRACTOR's books and accounts relating to this Contract for any Calendar Year or perform auditing

procedures as deemed appropriate by the STATE. A copy of the independent accountant's report or any exceptions shall be forwarded to the STATE within sixty (60) calendar days following the completion of such audit. Any cost incurred by CONTRACTOR in complying with this requirement by the STATE shall be included in Petroleum Operations Expenditures and shall be cost recoverable. CONTRACTOR's books and accounts shall be deemed accepted by the STATE twenty-four (24) months after the end of the Calendar Year when the cost was incurred, unless the MINISTRY notifies CONTRACTOR otherwise within such time.

SECTION XV
ADDITIONAL PROVISIONS

15.1 NOTICES

Any notices required or given by either Party to the other, shall be deemed to have been delivered when properly acknowledged for receipt by the receiving Party. All such notices shall be in Spanish and shall be addressed to:

MINISTRY OF MINES AND ENERGY

Malabo-Bioko Norte

Republica de Guinea Ecuatorial

Tel.: (240)-9-3567, -3405, -2086

Fax: (240)-9-3353

Telex: GBNOM 5405 EG

CONTRACTOR: Triton Equatorial Guinea, Inc.

Wellington House, 5th Floor

125 Strand Street

London, WC2R 0AP

United Kingdom

Attn: Project Coordinator

Tel.: 44-171-533-7000

Fax: 44-171-533-9000

Telex: none

Either party may substitute or change such address on written notice thereof to the other.

SECTION XVI
LAWS AND REGULATIONS

16.1 For purposes of this Contract the laws of the Republic of Equatorial Guinea shall govern in accordance with generally accepted principles of international law.

16.2 In the event of changes in the legislation regarding Petroleum Operations, and if as a consequence of their implementation, said changes cause, to the detriment of any of the Parties, the reduction of rights or an increase in the economic obligations contained in this Contract, the Parties shall meet and take the suitable measures to achieve the necessary economic balance at any time during the Effectiveness of this Contract.

SECTION XVII
FORCE MAJEURE

17.1 Except as otherwise provided in this Subsection 17.1, each Party shall be excused from complying with the terms of this Contract, except for the payment of monies then due, if any, for so long as such compliance is hindered or prevented by irresistible circumstances or beyond the reasonable control of the Party concerned including but not limited to change of government, violent storms, cyclones, thunderstorms, navigation dangers, destruction of machinery or whatever kind of installations, hostilities, blockades, embargoes, criminal disturbances, national emergencies, the inability to obtain, import or use any of the required materials, equipment or services, and the inability to obtain the necessary rights of passage, riots, strikes, wars (declared or undeclared), insurrections, rebellions, terrorist acts, civil disturbances, dispositions or orders of governmental authority, whether such authority be actual or assumed, acts of God, such circumstances being herein sometimes called "Force Majeure"; provided, however, inability to obtain equipment, supplies, or fuel shall not be a cause of Force Majeure, unless caused by one of the factors described in this Subsection 17.1. If any failure to comply is occasioned by a governmental law, rule, regulation, disposition or order of the Government of the Republic of Equatorial Guinea as aforesaid and the affected Party is operating in accordance with good petroleum industry practice in the Contract Area and is making reasonable efforts to comply with such law, rule, regulation, disposition or order, the matter shall be deemed beyond the control of the affected Party. In the event that either Party hereto is rendered unable, wholly or in part, by any of these causes to carry out its obligations under this Contract, it is agreed that such Party shall give notice and details of Force Majeure in writing to the other Party within seven (7) calendar days after its occurrence. In such cases, the obligations of the Party giving the notice shall be suspended during the continuance of any inability so caused, and the term of the Contract shall be extended to coincide with the duration of the condition of Force Majeure. Both Parties shall do all within their power to remove such cause.

SECTION XVIII
TEXT

18.1 This Contract is written in the Spanish and English languages. In the event of a controversy between the two texts, the Spanish text shall prevail.

SECTION XIX
EFFECTIVENESS

19.1 This Contract shall come into effect on the Effective Date.

19.2 This Contract shall not be annulled, amended or modified in any respect, except by the mutual consent in writing of the Parties or their successors hereto. Nevertheless, the MINISTRY when requested by CONTRACTOR, once all works described in Section 4.3(i)(ii) are completed, shall approve within sixty (60) calendar days from said request an amendment authorizing CONTRACTOR to transfer the minimum drilling obligation described in Section 4.3 from this Block to Block "F" including all the obligations and rights associated with said drilling. CONTRACTOR shall be entitled to recover the costs associated with drilling on the Block where the well is drilled. Any amendments or modifications agreed to in writing by the Parties shall not require approval by the Supreme Court of Justice of the Republic of Equatorial Guinea or ratification by the President of the Republic of Equatorial Guinea.

IN WITNESS WHEREOF, the Parties hereto have executed this Contract, in triplicate and in the Spanish language, as of the day and year first above written.

THE REPUBLIC OF EQUATORIAL GUINEA REPRESENTED BY THE
MINISTRY OF MINES AND ENERGY
OF THE REPUBLIC OF EQUATORIAL GUINEA

By /s/ Authorized Signatory

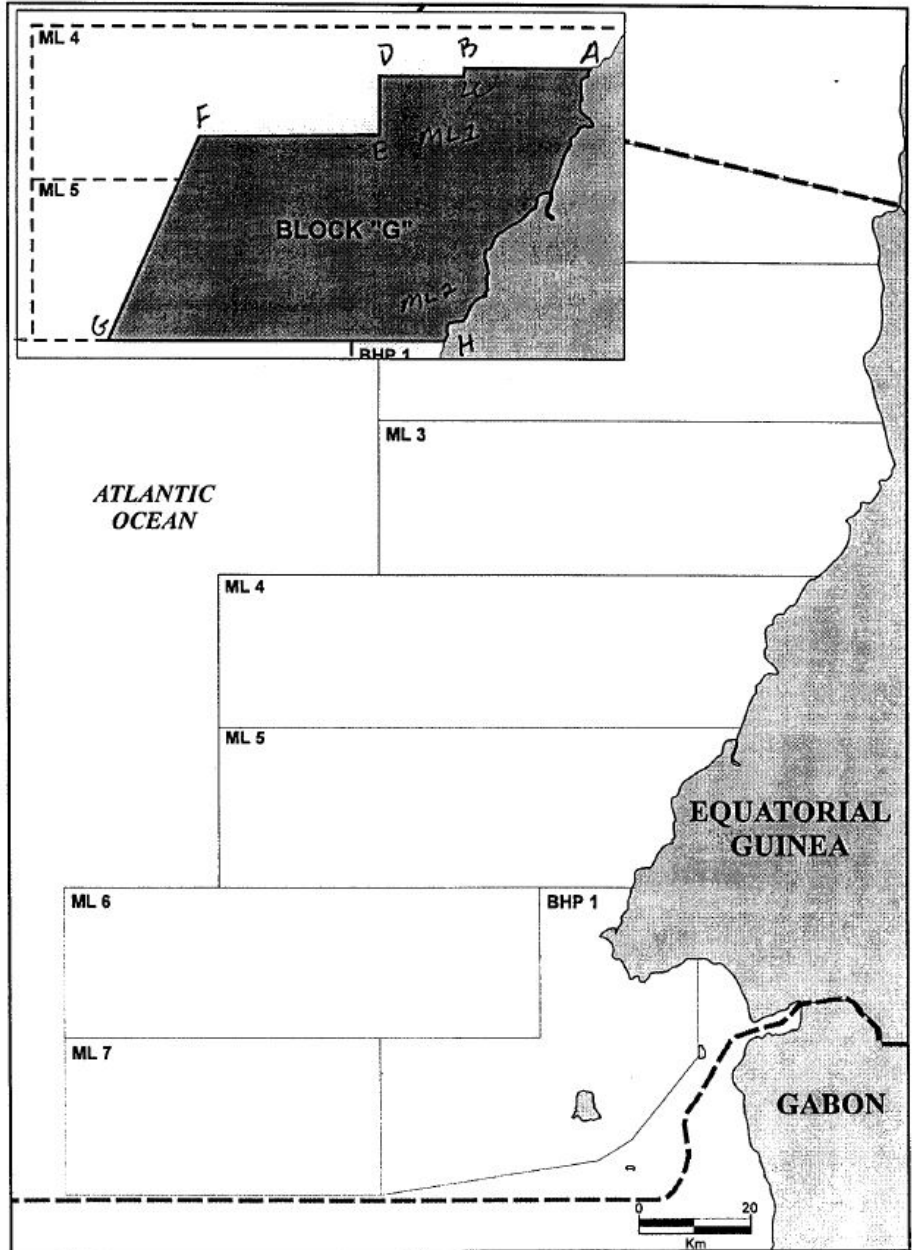
Minister of Mines and Energy

TRITON EQUATORIAL GUINEA, INC.

By /s/ Thomas G. Finck

Thomas G. Finck, President

ANNEX "A"
MAP OF CONTRACT AREA
BLOCK G



ANNEX "B"
DESCRIPTION OF CONTRACT AREA
BLOCK G

CORNER POINTS	LATITUDE NORTH	LONGITUDE EAST
A	1° 41' 05"	9° 37' 34"
B	1° 41' 07"	9° 25' 37"
C	1° 40' 15"	9° 25' 37"
D	1° 40' 15"	9° 17' 41"
E	1° 34' 38"	9° 17' 41"
F	1° 34' 34"	9° 00' 25"
G	1° 15' 00"	8° 51' 38"
H	1° 15' 00"	9° 23' 47"

From corner point H the Block is defined by the coast in low tide until the intersection with corner point A at latitude North 1° 41' 05" and 9° 37' 34" longitude East.

ANNEX "C"
ACCOUNTING PROCEDURE

Attached to and made an integral part of the Production Sharing Contract (the "Contract") for Block G between the REPUBLIC OF EQUATORIAL GUINEA, represented for purposes of this Contract by the Ministry of Mines and Energy, and TRITON EQUATORIAL GUINEA, INC., CONTRACTOR, dated the 26th day of March, 1997.

Article I
General Provisions

1. Purpose

The accounting procedure herein provided and attached to the Contract is to be followed and observed in the performance of either Party's obligations under the Contract.

2. Accounts and Statements

CONTRACTOR's accounting records and books will be kept in accordance with generally accepted and recognized accounting systems, consistent with modern petroleum industry practices and procedures. Books and reports will be maintained and prepared in accordance with methods established by the MINISTRY. The chart of accounts and related account definitions will be prescribed by the MINISTRY. Reports will be organized for the use of the MINISTRY in carrying out its management responsibilities under the Contract.

Article II
Petroleum Operations Expenditures

1. Definition for Purposes of the Recovery of Costs and Calculation of the Income Taxes

For any year when commercial production occurs, Petroleum Operations Expenditures shall consist of a) current year's non-capital costs, b) current year's capital costs, and c) current year allowed recovery of prior year's unrecovered Petroleum Operations Expenditures.

2. Non-Capital Expenditures

Non-capital expenditures means those Petroleum Operations Expenditures, whether related to Crude Oil or Natural Gas, or relating to current year's operations. Moreover, non-capital expenditures shall also include the sums agreed and designated by the MINISTRY and CONTRACTOR for the abandonment of the Petroleum Operations. In addition to costs relating only to current operations, U.S. \$93,000 spent by CONTRACTOR for data acquired prior to the Effective Date shall be classified as non-capital expenditures authorized in writing by the MINISTRY, and the costs of surveys and the intangible costs of drilling exploratory and development wells, as described in paragraph (c), (d) and (e) below, will be classified as non-capital costs. Non-capital expenditures include, but are not limited to the following:

(a) Labor, materials and services used in day to day crude oil well operations, crude oil field production facilities operations, secondary recovery operations, natural gas well storage, handling, transportation, and delivery operations, natural gas field production facilities operations, natural gas transportation and delivery operations, natural gas processing auxiliaries and utilities, cleaning up pollution or related damages as set forth in Section 4.8 of this Contract, and other operating activities, including maintenance, all of which comprise Petroleum Operations.

(b) Office, services and general administration - General services including overhead allocation, insurance premiums, technical and related services, material services, transportation, rental of heavy engineering equipment, site rentals and other rentals of services and property, personnel expenses, public relations, and other expenses abroad.

(c) Development and production drilling - Labor, materials and services used in drilling wells with the object of penetrating a proven reservoir, including the drilling of delineation wells as well as re-drilling, deepening or recompleting wells, and access roads, if any, leading directly to wells.

(d) Exploratory drilling - Labor, materials and services used in the drilling of wells with the object of finding unproven reservoirs of crude oil and natural gas, and access roads, if any, leading directly to wells.

(e) Surveys - Labor, materials and services used in aerial, geological, topographical, geophysical and seismic surveys, and core hole drilling.

(f) Other exploration expenditures - Auxiliary or temporary facilities having useful lives of one year or less used in exploration and purchased geological and geophysical information.

(g) The bonus payments payable in accordance with Section 9.3 of the Contract. All payments made in accordance with Section 9 of the Contract shall be deductible for purposes of calculation of Income Tax.

(h) Interest on loans shall be considered non-capital expenditures for tax purposes; however, three percent (3%) shall be cost recoverable in accordance with Article III.3 of this Annex "C".

3. Capital Expenditures

Capital expenditures means expenditures made for items that normally have a useful life beyond the year incurred. Capital expenditures include, but are not limited to, the following:

(a) Construction utilities and auxiliaries - Work shops, power and water facilities, warehouses, and field roads other than the access roads mentioned in paragraphs 2(c) and 2(d) above. Cost of oil jetties and anchorages, treating plants and equipment, secondary recovery systems, gas plant and steam systems.

(b) Construction housing and welfare - Housing, recreational facilities and other tangible property incidental to construction.

(c) Production facilities - Offshore platforms (including the costs of labor, fuel, hauling, and supplies for both the offsite fabrication and onsite installation of platforms, and other construction costs in erecting platforms and installing submarine pipelines), wellhead equipment, subsurface lifting equipment, production tubing, sucker rods, surface pumps, flow lines, gathering equipment, delivery lines and storage facilities.

(d) Movables - Surface and subsurface drilling and production tools, equipment and instruments, barges, floating craft, automotive equipment, aircraft, construction equipment, furniture and office equipment and miscellaneous equipment.

Article III

Accounting Methods To Be Used to Calculate Recovery of Petroleum Operations Expenditures and Income Taxes

As indicated below, the following accounting methods shall be used to calculate the recovery of Petroleum Operations Expenditures and Income Taxes.

1. Depreciation

Depreciation will be calculated from the year in which the asset is placed into service, with a full year's depreciation allowed the initial year. Depreciation of Capital Costs, for purposes of Income Tax calculation and cost recovery, will be calculated over a period of four (4) years using the straight-line method.

The lives to be used for items for which Capital Expenditures are incurred shall be four (4) years. The undepreciated balance of assets taken out of service will not be charged to Petroleum Operations Expenditures but will continue to depreciate based upon the lives described above, except where such assets have been subjected to unanticipated destruction, for example, by fire or accident.

2. Overhead Allocation

General and administrative expenditures, other than direct charges, allocable to this operation should be determined by a detailed study, and the method determined by such study shall be applied each year consistently. The method selected must be approved by the MINISTRY. Either the MINISTRY or CONTRACTOR may request by notification of the other Party that the method selected be changed; provided, however that only one change to the method be allowed in any given Calendar Year.

3. Interest Recovery

Interest on loans obtained by a Party from Affiliated Companies, or parent companies, or from third parties non-affiliated may not be recoverable as Petroleum Operations Expenditures, except for the three percent (3%) interest, but the interest may be deductible from income for the purposes of calculating CONTRACTOR's Income Tax. The interest on said loans cannot be over the prevalent commercial rates for Petroleum Operations investments. Details of any sums to be financed shall be included in each year's Budget of Petroleum Operations Expenditures for the review of the MINISTRY. Notwithstanding anything to the contrary contained herein or in any law regulation rule order or decree of the STATE, non-resident lenders shall not be subject to withholding tax or other income tax.

4. Natural Gas Costs

Petroleum Operations Expenditures directly associated with the production of Natural Gas will be directly chargeable against Natural Gas revenues in the manner agreed by the Parties. Petroleum Operations Expenditures incurred for production of both Natural Gas and Crude Oil will be allocated to Natural Gas and Crude Oil as agreed by both Parties.

5. Inventory Accounting

The costs of non-capital items purchased for inventory will be recoverable in the year the items have been landed in the Republic of Equatorial Guinea. The CONTRACTOR shall present two types of inventories, one for non-capital assets or articles and another for capital assets or articles.

6. Insurance and Claims

Petroleum Operations Expenditures shall include premiums paid for insurance normally required to be carried for the operations relating to CONTRACTOR's obligations conducted under the Contract and shall also include expenditures incurred and paid by CONTRACTOR in settlement of any and all losses, claims, damages, judgments, and other expenses, including monies relating to CONTRACTOR's obligations under the Contract. Any sums CONTRACTOR receives for settlements from insurance carried for the benefit of the Petroleum Operations shall be deducted from Petroleum Operations Expenditures for the year any such settlement is received.

ANNEX "D"

LETTER OF PERFORMANCE GUARANTY BY PARENT
FOR CONTRACT AREA G, THE REPUBLIC OF EQUATORIAL GUINEA

WHEREAS, Triton Energy Limited, a company validly existing under the laws of the Cayman Islands ("Parent"), with its principal place of business c/o Caledonian House, Mary Street, Post Office Box 1043, Georgetown, Grand Cayman, Cayman Islands; and

WHEREAS, Triton Equatorial Guinea, Inc., a company validly constituted under the laws of the Cayman Islands ("Company"), is a wholly owned subsidiary of the Parent; and

WHEREAS, Company has contemporaneously herewith entered into that certain Production Sharing Contract (the "Contract") with the Republic of Equatorial Guinea (the "STATE") for Contract Area G; and

WHEREAS, Company holds the participating interest as specified in the Contract; and

WHEREAS, the STATE desires that the performance by Company under the Contract be guaranteed; and

WHEREAS, the Parent accepts that it fully understands and assumes the legal contractual undertakings of the Company under the Contract; and

NOW THEREFORE, it is hereby agreed and stipulated as follows:

1. Parent shall be bound as Guarantor by virtue of this Letter of Performance Guaranty by Parent (this "Guaranty") to the STATE for the fulfillment of the obligations assumed by the Company in accordance with Section 4.3(a) of the Contract.
2. In accordance with Section 4.5 of the Contract, the amount of any guaranty by Parent hereunder in the then Contract Year phase shall be discharged of the minimum expenditure obligation for such Contract Year phase when the minimum expenditure obligation for such phase has been satisfied. If at the end, the Exploration Expenditures incurred by Company during the two (2) first years of the Contract is less than the minimum expenditure obligation described in Section 4.5 of the Contract, then Parent agrees it shall pay to the STATE on first demand without proof or conditions the balance of the amounts not incurred. The STATE's first demand shall be given within thirty (30) calendar days from the end of the related initial exploration period. Failure by the STATE to make a timely demand as provided above shall discharge Parent from its liabilities under this Guaranty. Demand shall be made by an original written or faxed statement from the Ministry of Energy and Mines of the Republic of Equatorial Guinea ("Ministry") certifying that "Triton Equatorial Guinea, Inc. did not comply with the work program in the Contract covering Block G." The Ministry shall state specifically how Triton failed to comply with such work commitment. The Minister shall deliver the demand to the Parent at 6688 N. Central Expressway, Dallas, Texas, 75206 U.S.A.; or fax number 1-214-691-0198.
3. This Guaranty shall be governed by and construed in accordance with the laws of Equatorial Guinea.
4. This Guaranty shall expire at the earlier of two (2) years and thirty (30) consecutive days from the Effective Date of the Contract or the date when Company and/or its permitted assignee has been recognized by the Ministry of Mines and Energy of the Republic of Equatorial Guinea to have fulfilled its

minimum expenditure obligations for the initial exploration period pursuant to the Contract.

5. Said act to be effective in the Republic of Equatorial Guinea shall be previously elevated to a public deed by a notary or other competent authority named by the Principal, and said public deed shall comply with all legal requisites. The costs incurred for said process shall be the responsibility of the Company, and shall not be recoverable.

IN WITNESS WHEREOF, Parent and Company have signed this Guaranty on__day of__, 1997.

PARENT:
TRITON ENERGY LIMITED

By:
Name: _____
Title: _____

COMPANY:
TRITON ENERGY LIMITED

By:
Name: _____
Title: _____

STATE OF TEXAS)
)
COUNTY OF DALLAS)

BEFORE ME, the undersigned Notary Public in and for the State of Texas, on this day personally appeared _____, _____ of TRITON ENERGY LIMITED, and acknowledged to me that he executed the foregoing instrument for the purposes and consideration therein expressed, as the act and deed of TRITON ENERGY LIMITED, and that he has the capacity to make such authorization.

WITNESS MY HAND AND SEAL OF OFFICE this ____ day of _____, 19__.

Notary Public in and for the State of Texas

Printed Name

My Commission Expires: _____

STATE OF TEXAS)
)
COUNTY OF DALLAS)

BEFORE ME, the undersigned Notary Public in and for the State of Texas, on this day personally appeared _____, _____ of TRITON EQUATORIAL GUINEA, and acknowledged to me that he executed the foregoing instrument for the purposes and consideration therein expressed, as the act and deed of TRITON EQUATORIAL GUINEA, and that he has the capacity to make such authorization.

WITNESS MY HAND AND SEAL OF OFFICE this ____ day of _____, 19__.

Notary Public in and for the State of Texas

Printed Name

My Commission Expires: _____

ANNEX "E"

COORDINATES FOR
THE 200m ISOBATH

The MINISTRY and CONTRACTOR agree the following coordinates represent the boundary for the 200 meter water depth for purposes of calculating the rental payments due pursuant to Section 9.4 of the Contract.

Offshore Equatorial Guinea, Block G: Coordinates for the 200m isobath

<u>Latitude (Decimal deg)</u>	<u>Longitude (Decimal deg)</u>
1.669636050000000	9.420002540000000
1.718255996704102	9.432461738586430
1.736657977104187	9.442479133605960
1.746453046798706	9.449187278747560
1.778007030487061	9.461318016052250
1.833732008934021	9.487948417663570
1.852141976356506	9.498534202575680
1.915503978729248	9.540432929992680
1.933310031890869	9.548749923706050
1.962574005126953	9.560340881347660
1.999791979789734	9.569559097290040
2.018069982528687	9.571042060852050
2.034588098526001	9.569132804870610
2.048221111297607	9.564983367919920
2.074255943298340	9.550439834594730
2.119595050811768	9.529401779174800
2.174201011657715	9.517924308776860
2.206674098968506	9.514681816101070
2.240891933441162	9.513693809509280
2.265940904617310	9.509973526000980
2.314485073089600	9.513362884521480
2.421205043792725	9.515472412109380
2.438366889953613	9.518675804138180
2.475511074066162	9.522773742675780
2.587642908096313	9.544161796569820
2.606426000595093	9.541087150573730
2.621166944503784	9.534647941589360
2.642630100250244	9.519592285156250
2.651741027832031	9.518342018127440
2.657460927963257	9.519410133361820
2.695396900177002	9.538861274719240

2.729363918304443	9.560067176818850
2.744920969009399	9.570688247680660
2.777837038040161	9.598164558410640
2.789410114288330	9.609403610229490
2.794575929641724	9.611616134643550
2.804290056228638	9.612635612487790
2.807696104049683	9.611455917358400
2.810491085052490	9.607439041137700
2.814825057983398	9.591453552246090
2.818197965621948	9.587999343872070
2.822141885757446	9.584536552429200
2.826673030853271	9.582205772399900
2.850533008575439	9.575085639953610
2.951327085494995	9.561904907226560
2.976335048675537	9.555339813232420
3.001311063766479	9.546500205993650

**FIRST AMENDMENT TO THE PRODUCTION SHARING CONTRACT FOR
BLOCK G, OFFSHORE REPUBLIC OF EQUATORIAL GUINEA**

This First Amendment to the Production Sharing Contract for Block G, offshore Republic of Equatorial Guinea (this "Amendment") is entered into in Malabo, Republic of Equatorial Guinea, as of the 1st day of January, 2000 (the "First Amendment Date"), between Triton Equatorial Guinea, Inc., a Cayman Islands company ("Triton"), Energy Africa Equatorial Guinea Limited, an Isle of Man company ("Energy Africa"), and the Republic of Equatorial Guinea (the "STATE") represented by the Ministry of Mines and Energy (the "MINISTRY"). Triton and Energy Africa are hereinafter collectively referred to as the "CONTRACTOR" and the CONTRACTOR and the STATE are sometimes, depending on the context hereinafter individually referred to as a "Party" and collectively as the "Parties."

WHEREAS, Triton and the STATE entered into the Production Sharing Contract covering Block G, offshore Republic of Equatorial Guinea, on March 26, 1997, effective as of April 14, 1997;

WHEREAS, the Ministry at the request of Triton by a letter dated 29 September, 1998 granted a twelve month (12) extension to the first subperiod of the Initial Exploration Period in Section 4.3(a) of the Production Sharing Contract (with said extension, the "Contract");

WHEREAS, with the approval of the STATE, Triton assigned a fifteen percent (15%) interest in its rights and obligations in the Contract to Energy Africa as of June 1, 1999, so that currently Triton holds an eighty-five percent (85%) interest and Energy Africa holds a fifteen percent (15%) interest in the Contract; and

WHEREAS, at the request of the STATE, the Parties agreed to modify the Contract for the purposes of aligning certain terms thereof with the revenue allocation mechanisms for Production Sharing Contracts recently adopted by the STATE as reflected in a Memorandum of Understanding between the Parties dated December 7, 1999 ("MOU").

NOW THEREFORE, in consideration of the terms and conditions set forth herein, the Parties hereby agree as follows:

Article 1

Scope

Except as modified herein, the terms of the Contract shall remain valid and in full force and effect.

Article 2

Definitions

The terms and phrases defined in the Contract and used herein shall have the same meaning as in the Contract unless the context herein otherwise provides. Section 1.2 (Definitions) of the Contract is amended as follows:

2.1 Section 1.2(v) is deleted and replaced with the following: “Effective Date means April 14, 1997.”

2.2 Section 1.2(z) (definition of Royalty) of the Contract is deleted and replaced with the following:

“Royalty means for each Field, the right of the State to a percentage of the Crude Oil and Natural Gas produced, saved, sold and not otherwise utilized in Petroleum Operations that is calculated based on the daily production rate as reflected below:

<u>Rates of Daily Production of Field</u> <i>(calculated on an incremental basis of Crude Oil)</i>	<u>Royalty Per Tranche</u>
From 0 to 30,000 Barrels	11%
Above 30,000 to 60,000 Barrels	12%
Above 60,000 to 80,000 Barrels	14%
Above 80,000 to 100,000 Barrels	15%
More than 100,000 Barrels	16%

and ten percent (10%) of all the Natural Gas in each Field produced, saved, sold and not otherwise utilized in Petroleum Operations.”

2.3 The following definitions shall be added to Section 1.2 of the Contract.

“(ah) First Amendment Date means January 1, 2000.”

“(ai) LIBOR means the rate of interest known as the London Interbank Offered Rate on one year U.S. dollar deposits as published by the Financial Times (London) . If the Financial Times does not publish the said rate during seven (7) consecutive working days, the rate published by the Wall Street Journal shall apply. If neither of these two rates are published, the Parties will mutually agree upon the rate to apply.”

Article 3
**Recovery of Petroleum Operating Costs
and Sharing of Production**

3.1 Sections 7.2 through 7.4 of the Contract shall be deleted and replaced with the following:

“7.2 After making Royalty payments to the STATE in accordance with the provisions of Section 6.1(n) of this Contract, CONTRACTOR shall be entitled to recover the totality of the Petroleum Operations Expenditures relating to a Field out of seventy percent (70%) of the remaining sales

proceeds or other distribution of Crude Oil produced and saved hereunder and not used in Petroleum Operations from such Field.

It is expressly understood that the Exploration Expenditures incurred by CONTRACTOR during any Calendar Year not attributable to a particular Field and included in the Work Program and Budget of Expenditures approved by the MINISTRY for said year shall be recoverable against the production from any Field in the Contract Area with priority given to the last discovered Field.

The Petroleum Operation Expenditures attributable to a determined Field not recoverable by CONTRACTOR, because the insufficiency of available Crude Oil in said Field, shall not be transferable nor recoverable from another Field, but such Expenditures shall be deductible from income for purposes of calculating CONTRACTOR's Income Tax."

- "7.3 After payment of the Royalty to the STATE and the portion allocated to CONTRACTOR for the recovery of recoverable Petroleum Operation Expenditures by the CONTRACTOR, the remaining Crude Oil produced, saved and sold from a particular Field and not used in Petroleum Operations shall be referred to as "Net Crude Oil".
- "7.4 The percentage of Net Crude Oil to which the STATE and CONTRACTOR are entitled in a particular Field will be triggered when the cumulative Crude Oil production produced, saved and sold from such Field reaches the corresponding tranche shown below:

<u>Cumulative Production Levels of Field</u>	<u>STATE Share of Net Crude Oil</u>	<u>CONTRACTOR Share of Net Crude Oil</u>
From 0 to 200 MMBO	20%	80%
Above 200 to 350 MMBO	30%	70%
Above 350 to 450 MMBO	40%	60%
Above 450 to 550 MMBO	50%	50%
More than 550 MMBO	60%	40%"

MMBO means one million Barrels of Crude Oil."

3.2 In the first sentence of Section 8.1(b) of the Contract delete "Except for the Royalty,".

3.3 Article II, paragraph 2(h) of Annex "C" (Accounting Procedure) to the Contract is hereby deleted and replaced with:

"(h) The full amount of interest on loans shall be considered deductible non-capital expenditures for purposes of the Income Tax; however, such interest, prior to the First Amendment Date, shall be recoverable to a maximum of three percent (3%).

As of the First Amendment Date such interest shall be recoverable to a maximum of LIBOR plus four (4%) percentage points.”

3.4 A new paragraph 2(i) to Article II in Annex “C” (Accounting Procedure) to the Contract will be added as follows:

“(i) Expenses of the MINISTRY personnel working on full-time basis in CONTRACTOR’s home office or other principal office or on temporary assignment to such offices.”

3.5 Article III, paragraph 3 of Annex “C” (Accounting Procedure) to the Contract is amended as of the First Amendment Date by deleting the first sentence and replacing it with the following:

“All interest on loans obtained by an entity comprising part of the CONTRACTOR other than the STATE shall be considered deductible; however, such interest will be recoverable only as permitted in Article II.2(h) of this Annex “C”.”

Article 4

Production Bonuses

4.1 Sections 9.2 and 9.3 of the Contract shall be deleted and replaced with the following:

“9.2 On the date of declaration of a Commercial Discovery with respect to a Field, the CONTRACTOR shall pay the STATE the sum of Seven Hundred Fifty Thousand United States Dollars (U.S. \$750,000). Such payment will not be cost recoverable.”

“9.3 CONTRACTOR shall pay the STATE a one-time payment of Three Million United States Dollars (U.S. \$3,000,000) after daily production from a Field averages for the first time thirty thousand (30,000) Barrels per day for a period of sixty (60) consecutive calendar days; CONTRACTOR shall make a further one-time payment to the STATE of Three Million United States Dollars (U.S. \$3,000,000) after daily production from a Field averages for the first time sixty thousand (60,000) Barrels per day for a period of sixty (60) consecutive calendar days.

CONTRACTOR shall make an additional one-time payment to the STATE of Four Million United States Dollars (U.S. \$4,000,000) after daily production from a Field averages for the first time one hundred thousand (100,000) Barrels per day for a period of sixty (60) consecutive calendar days.

All payments under this Section 9.3 shall be made within thirty (30) calendar days following the last day of the respective sixty (60) calendar day period and will be cost recoverable.”

Article 5

Assignment and Transfer of Interest

Sections 6.1(e) and 6.1(f) of the Contract shall be deleted and replaced with the following:

- “(e) have the right, with prior notification to the MINISTRY, to sell, assign, transfer, convey or dispose of any part or all of the rights and interests and obligations under this Contract or in any Field in the Contract Area to any Affiliated Company;”
- “(f) have the right to sell, assign, transfer, convey or dispose of all or any part of its rights and interests and obligations under this Contract or in any Field in the Contract Area to parties other than Affiliated Companies with the prior consent of the MINISTRY, which consent shall not be unreasonably withheld, and shall be deemed granted if the MINISTRY does not respond to such entity within sixty (60) calendar days of the date of confirmed receipt by the Ministry of the request for its consent.

The gain, taxable profit or appreciation realized from any transfer, sale or assignment shall be taxed in accordance with the tax legislation and regulations in effect in the Republic of Equatorial Guinea on the Effective Date. However, when said transfers, sales or assignments by Triton Equatorial Guinea, Inc. or Energy Africa Equatorial Guinea Limited or their respective Affiliated Companies, as the transferor, involve a cash consideration, then the gain, taxable profit or appreciation realized from such transfer, sale or assignment shall be taxed at a rate of fifteen percent (15%) payable by the transferor;”

Article 6

Taxation

6.1 Section 6.1(m) of the Contract shall be deleted and replaced with the following language:

“(m) pay to the STATE the corresponding income taxes in accordance with the Tax Law subject to the terms of Sections 6.1(f), 6.2(a) and 16.3 of this Contract as it is amended;”

6.2 A new paragraph 3 shall be added to Section 16 as follows:

“16.3 The STATE guarantees the stability of this Contract’s fiscal terms during the term of the Contract. Nevertheless, in the event of a change in the currently existing tax conditions as of the Effective Date in Equatorial Guinea or the sub-region of Central African Economic and Monetary Community (“CEMAC ‘), then the Parties shall at the written request of one Party meet promptly to resolve any imbalance resulting from such changes.

If the Parties are unable to reach a resolution within a period of six (6) months from the date a Party first requests such resolution, the arbitration and consultation provisions of Section XIII of this Contract shall apply, whereby the arbitrators shall determine an adjustment of the production share as determined under Section 7 of this Contract to resolve the imbalance.”

Article 7
Operations

7.1 Section 2.7 of the Contract shall be deleted and replaced with the following language:

“2.7 This Contract will continue in existence with respect to each Field for a period of thirty (30) years with respect to Crude Oil and for forty (40) years with respect to Natural Gas starting from the date the MINISTRY approves CONTRACTOR’S report or said report is considered as approved, in accordance with the provisions of Section 2.6, and CONTRACTOR receives approval from the MINISTRY.

In case of new Commercial Discoveries that underlie or overlie, in whole or in part, the area of an existing Field or any extension thereof, such new Commercial Discoveries together with such Field will, subject to Section 2.6(a) of this Contract, constitute only one Field subject to the following:

- (a) The redefinition of any area of development of a Field shall always be subject to the submittal by CONTRACTOR to the MINISTRY of pertinent relevant technical evidence that warrants said redefinition, the approval of which shall not be unreasonably denied by the MINISTRY.
- (b) In the case of any new Commercial Discovery which, at the time of its being determined by the CONTRACTOR pursuant to Section 2.5 of this Contract to be a Commercial Discovery, underlies or overlies, in whole or in part, the area of development of an existing Field as it may by that time have been extended pursuant to Section 2.6(a) of this Contract, shall be treated as an integral part of such existing Field which will be defined or redefined as may be necessary to incorporate all of such new underlying and overlying Commercial Discoveries.
- (c) In the case of any new Commercial Discovery which, at the time of its being determined by the Contractor pursuant to Section 2.5 of this Contract to be a Commercial Discovery, does not underlie or overlie, in whole or in part, the area of development of an existing Field as it may by that time have been extended pursuant to Section 2.6(a) of this Contract, such new Commercial Discovery shall constitute a separate Field.
- (d) In the event of subsequent extensions to the area of any such new Commercial Discovery as referred to in Section 2.7(c) as a separate Field extending into an area overlying or underlying an area of development of another Field,

such subsequent extensions shall not affect the new Commercial Discovery's status as a separate Field.

The provisions of Section 2.6 shall apply mutatis mutandis to any such new Commercial Discovery.”

7.2 Section 4.7 of the Contract is hereby amended by inserting language at the end of this Section as follows:

“The Parties recognize that the results acquired as Petroleum Operations advance or that certain changes of circumstances may justify changes to the Work Program and Budget of Petroleum Operations Expenditures. Under such circumstances, CONTRACTOR will submit a revision to the approved Work Program and Budget for that Calendar Year to the MINISTRY for approval in accordance with the terms of Section 4.6 of this Contract. Such approval will not be unreasonably withheld. Upon approval as provided in Section 4.6 of this Contract by the MINISTRY of such revision to the relevant Work Program and Budget, the expenditures made by CONTRACTOR in relation to such revised Budget will be considered Petroleum Operation Expenditures. Notwithstanding the foregoing, CONTRACTOR's expenditures up to ten percent (10%) above the total of the approved Budget amount (as may be revised and approved from time to time) for said Calendar Year will be recoverable Petroleum Operations Expenditures. CONTRACTOR's expenditures that exceed ten percent (10%) above total of the approved Budget (as revised and approved) will not be recoverable or deductible from income for purposes of calculating CONTRACTOR's Income Tax.”

Article 8

Rights and Obligations of the Parties; Training

8.1 As of the First Amendment Date, Section 6.1(j) of the Contract shall be deleted and replaced by the following:

“(j) as of the First Amendment Date, include in the Annual Work Program and Budget of Petroleum Operations Expenditures the sum of Two Hundred Fifty Thousand United States Dollars (U.S. \$250,000) to be spent on (i) training personnel of the MINISTRY and citizens of the Republic of Equatorial Guinea, who are not personnel of CONTRACTOR at such time, for professional, skilled and technical jobs in Petroleum Operations or (ii) for all costs related to attendance at professional or industry conferences, institutes or similar events, whether regional or international, for the enhancement of the knowledge or the skills of such persons or the promotion of the oil and gas industry of the Republic of Equatorial Guinea. In fulfillment of CONTRACTOR's obligation under this Section 6.1(j), the CONTRACTOR will remit Sixty-Two Thousand Five Hundred United States

Dollars (U.S. \$62,500) to the MINISTRY at the beginning of each Calendar Quarter.

The MINISTRY agrees to be responsible for the implementation and direct funding of the referenced training programs or events. The sums paid by CONTRACTOR pursuant to this Section 6.1(j) will be included as cost recoverable Petroleum Operations Expenditures.

CONTRACTOR shall make all reasonable efforts to employ and train citizens of the Republic of Equatorial Guinea in Petroleum Operations. CONTRACTOR may employ non-citizens, if in the opinion of CONTRACTOR and not contested by the MINISTRY, no Equatorial Guinean citizens can be found with sufficient skill and technical qualifications. CONTRACTOR shall make similar requirements of any subcontractor. At intervals of not more than one year CONTRACTOR shall submit to the MINISTRY reports detailing the personnel employed, the position or function they perform and their residence when employed. CONTRACTOR shall provide, as CONTRACTOR deems, necessary, on-the-job training for citizens of the Republic of Equatorial Guinea to undertake skilled and technical jobs in the Petroleum Operations. Costs and expenses of training citizens of Equatorial Guinea as well as costs and expenses for a program of training for the MINISTRY's personnel, shall be included in Petroleum Operation Expenditures."

8.2 Effective from the date that the Parties hereto execute this Amendment as indicated below, a Section 6.5 will be added to the Contract as follows:

- "6.5 If, in connection with CONTRACTOR's performance of its obligations under this Contract, or if circumstances emerged regarding this Contract other than as provided in Section 6.1(j) of this Contract, any employee or official of the STATE, including the MINISTRY's personnel, is required to travel to any location outside the Republic of Equatorial Guinea, and the STATE agrees, through the MINISTRY, to permit such employee or official to travel for such purposes, CONTRACTOR agrees, subject to the prior mutual agreement of the Parties to such travel, to pay the following amounts to the MINISTRY, on behalf of the STATE, for the travel expenses related to the participation of such employees or officials:
- (a) the actual expenses incurred for travel to the location outside of the Republic of Equatorial Guinea and for travel to return to the Republic of Equatorial Guinea and lodging of such employees or officials at the foreign location, and
 - (b) an amount equal to the following for each day such employee or official is out of the Republic of Equatorial Guinea in accordance with the request of CONTRACTOR:

- (i) for a Minister or comparable or more senior official of the government of the Republic of Equatorial Guinea (the "Government"): US\$ 350.00;
- (ii) for a Secretary of State or comparable official of the Government: US\$ 325.00.
- (iii) for a Director General, Secretary General, Regional Delegate of the STATE or comparable employee or official of the Government: US\$ 300.00;
- (iv) for a Department Chief of the MINISTRY or comparable official of the Government: US\$ 250.00; or
- (v) for Engineers, Geo-scientists, Economists, and Attorneys of the MINISTRY and all other employees or comparable officials of the Government: US\$ 200.00.

The amounts contemplated pursuant to this Section 6.5 shall be payable by CONTRACTOR by check made out to the MINISTRY in the resulting total amount. Notwithstanding the foregoing, with respect to the actual travel and lodging expenses provided by Section 6.5(a), CONTRACTOR may choose to pay such amounts directly to the provider of such services for travel and lodging. The sums paid by CONTRACTOR pursuant to this Section 6.5 will be included as cost recoverable Petroleum Operations Expenditures."

Article 9

Notices

The notice provision of Section 15.1 of the Contract is amended to substitute the Triton information below for notice purposes and to add Energy Africa as a PARTY under CONTRACTOR as follows:

"Triton Equatorial Guinea, Inc.
c/o Triton Energy
6688 North Central Expressway, Suite 1400
Dallas, Texas 75206 USA
Attention: Mr. Brian Maxted
Telecopy: 1-214 365-9011
Telephone: 1-214 696-7554"

“Energy Africa Equatorial Guinea Limited
5 Parliament Square
Castletown
Isle of Man IM9 1LA UK
Attention: Rupert Worsdale
Telecopy: 44-1624827301
Telephone: 44-1624827310”p.

Article 10
Miscellaneous

- 10.1 Each of the Parties shall carry out all acts and measures as shall be necessary to fully perform and carry out this Amendment.
- 10.2 This Amendment constitutes the entire agreement among the Parties and may not be amended or modified except by a written document signed by the Parties. In the event of any conflict between the provisions of this Amendment and the Contract with respect to the subject matter hereof, the provisions of this Amendment shall prevail.
- 10.3 This Amendment shall inure to the benefit of and be binding upon the successors and assigns of the Parties.
- 10.4 This Amendment shall become effective as of the date it is signed by the Parties and shall have the force of law with retroactive effect as of 1 January 2000.
- 10.5 This Amendment is written and signed in six (6) copies, three (3) in Spanish and three (3) in English that shall constitute a single original. In the event of a conflict over the interpretation or implementation of the contents of this Amendment, the Spanish text shall prevail.
- 10.6 In the event of a dispute arising out of or related to the interpretation or meaning of this Amendment, the Consultation and Arbitration provisions of Section XIII of the Contract shall apply.

IN WITNESS WHEREOF, the Parties hereto execute this Amendment on the day and year below indicated.

FOR THE REPUBLIC OF EQUATORIAL GUINEA

THE MINISTRY OF MINES AND ENERGY OF THE REPUBLIC OF EQUATORIAL GUINEA

/s/ Cristobal Manana Ela

Name: Cristobal Manana Ela

Title: Minister of Mines and Energy

Date: October 3, 2000

CONTRACTOR:

TRITON EQUATORIAL GUINEA, INC.

/s/ Ken Topolinsky

Name: Ken Topolinsky

Title: Director General

Date: October 3, 2000

ENERGY AFRICA EQUATORIAL GUINEA LIMITED

/s/ Andrew Windham

Name: Andrew Windham

Title: General Counsel Attorney

Date: October 3, 2000

**SECOND AMENDMENT TO THE PRODUCTION SHARING CONTRACT FOR
BLOCK G, OFFSHORE REPUBLIC OF EQUATORIAL GUINEA**

This Second Amendment to the Production Sharing Contract for Block G, offshore Republic of Equatorial Guinea (this "Amendment") is entered into in Malabo, Republic of Equatorial Guinea, as of the 15th day of December, 2005 (the "Second Amendment Date"), between Amerada Hess Equatorial Guinea, Inc., a Cayman Islands company ("Amerada Hess"), Energy Africa Equatorial Guinea Limited, an Isle of Man company ("Energy Africa"), and the Republic of Equatorial Guinea (the "STATE") represented by the Ministry of Mines, Industry and Energy (the "MINISTRY"). Amerada Hess and Energy Africa are hereinafter collectively referred to as the "CONTRACTOR" and the CONTRACTOR and the STATE are sometimes, depending on the context hereinafter individually referred to as a "Party" and collectively as the "Parties."

WHEREAS, Amerada Hess and the STATE entered into the Production Sharing Contract covering Block G (the "Contract"), offshore Republic of Equatorial Guinea, on March 26, 1997, effective as of April 14, 1997;

WHEREAS, the MINISTRY by its letter no. 2847 dated 28 July, 2004 (the "Approval Date") approved the boundaries of the Northern Block G Field with said boundaries extending beyond the boundaries of Block G as of the Approval Date.

WHEREAS the Parties desire to amend the boundaries of Block G as of the Approval Date to reflect all prior relinquishments and the approved boundaries for Ceiba Field and Northern Block G (now called Okume Complex) Field

NOW THEREFORE IT IS HEREBY AGREED AS FOLLOWS:

Article 1

Scope

Except as modified herein, the terms of the Contract shall remain valid and in full force and effect. Notwithstanding the date hereof, it is hereby agreed between the Parties that the Effective Date of this Amendment is 15 December, 2005

Article 2

Definitions

Any terms and phrases defined in the Contract and used herein shall have the same meanings as in the Contract unless the context herein otherwise provides.

Article 3

Map of Contract Area

Annex "A" to the Contract is hereby deleted and replaced by Annex "A" hereto.

Article 4
Description of Contract Area

Annex "B" to the Contract is hereby deleted and replaced by Annex "B" hereto.

Article 5
Miscellaneous

- 5.1 Each of the Parties shall carry out all acts and measures as shall be necessary to fully perform and carry out this Agreement.
- 5.2 This Amendment constitutes the entire agreement among the Parties and may not be amended or modified except by a written document signed by the Parties. In the event of any conflict between the provisions of this Amendment and the Contract with respect to the subject matter hereof, the provisions of this Amendment shall prevail.
- 5.3 This Amendment shall inure to the benefit of and be binding upon the successors and assigns of the Parties.
- 5.4 This Amendment shall become effective and shall have the force of law with effect as of 15 December, 2005.
- 5.5 This Amendment is written and signed in six (6) copies, three (3) in Spanish and three (3) in English that shall constitute a single original. In the event of a conflict over the interpretation or implementation of the contents of this Amendment, the Spanish text shall prevail.
- 5.6 In the event of a dispute arising out of or related to the interpretation or meaning of this Amendment, the Consultation and Arbitration provisions of Section XIII of the Contract shall apply.

IN WITNESS WHEREOF, the Parties hereto execute this Amendment on the day and year below indicated.

FOR THE REPUBLIC OF EQUATORIAL GUINEA

**THE MINISTRY OF MINES, INDUSTRY AND ENERGY OF THE
REPUBLIC OF EQUATORIAL GUINEA**

/s/ Atanasio Ela Ntugu Nsa

Name: Atanasio Ela Ntugu Nsa

Title: Minister of Mines, Industry and Energy

Date: December 15, 2005

FROM THE CONTRACTOR:

AMERADA HESS EQUATORIAL GUINEA, INC.

/s/ Stephen G. McNally

Name: Stephen G. McNally

Title: Vice President EG

Date: December 15, 2005

ENERGY AFRICA EQUATORIAL GUINEA LIMITED

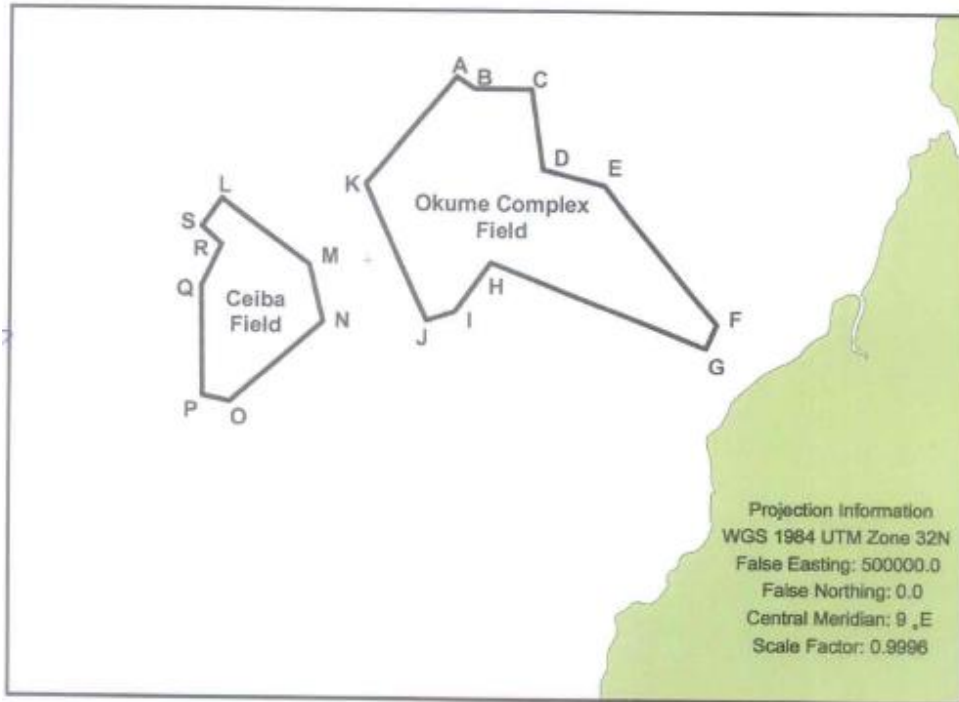
/s/ Authorized Signatory

Name:

Title:

Date:

ANNEX "A"
MAP OF CONTRACT AREA
BLOCK G



ANNEX "B"

DESCRIPTION OF CONTRACT AREA

BLOCK G

Okume Complex Field Coordinates

<u>Point</u>	<u>Latitude</u>	<u>Longitude</u>
A	1° 36' 30.42" N	9° 18' 06.90" E
B	1° 36' 04.85" N	9° 18' 44.79" E
C	1° 36' 04.83" N	9° 20' 46.04" E
D	1° 33' 16.58" N	9° 21' 11.02" E
E	10 32' 42.87" N	9° 23' 21.76" E
F	1° 27' 43.19" N	9° 21' 22.13" E
G	1° 26' 51.08" N	9° 26' 59.47" E
H	1° 29' 56.81" N	9° 19' 21.17" E
I	1° 28' 08.17" N	9° 18' 04.90" E
J	1° 27' 48.07" N	9° 17' 04.99" E
K	1° 32' 44.78" N	9° 14' 54.77" E

Ceiba Field Coordinates

<u>Point</u>	<u>Latitude</u>	<u>Longitude</u>
L	1° 32' 10.41" N	9° 09' 49.02" E
M	1° 29' 50.34" N	9° 12' 56.72" E
N	1° 27' 43.31" N	9° 13' 25.83" E
μ	1° 24' 47.45" N	9° 10' 08.41" E
P	1° 25' 00.48" N	9° 09' 10.16" E
Q	1° 29' 01.50" N	9° 09' 06.94" E
R	1° 30' 32.70" N	9° 09' 49.01" E
S	1° 31' 11.78" N	9° 09' 06.94" E

THIRD AMENDMENT TO THE PRODUCTION SHARING CONTRACT FOR BLOCK G, OFFSHORE REPUBLIC OF EQUATORIAL GUINEA

This Third Amendment to the Production Sharing Contract for Block G, offshore Republic of Equatorial Guinea (this "Amendment") is entered into in Malabo, Republic of Equatorial Guinea, as of the 22 day of October, 2017 (the "Third Amendment Date"), between Hess Equatorial Guinea, Inc., a Cayman Islands company ("Hess"), Tullow Equatorial Guinea Limited, an Isle of Man company ("Tullow"), and the Republic of Equatorial Guinea (the "STATE") as represented by the Ministry of Mines and Hydrocarbons (the "MINISTRY"). Hess and Tullow are hereinafter collectively referred to as the "CONTRACTOR" and the CONTRACTOR and the STATE are sometimes, depending on the context hereinafter individually referred to as a "Party" and collectively as the "Parties."

WHEREAS, the CONTRACTOR and the STATE entered into the Production Sharing Contract for Block G, offshore Republic of Equatorial Guinea, on March 26, 1997, effective as of April 14, 1997, as amended January 1, 2000 and December 15, 2005 (the "Contract");

WHEREAS, the Parties agreed to modify the Contract for the purpose of agreeing the applicable tax law effective from January 1, 2017 and CONTRACTOR share of Net Crude Oil effective from January 1, 2018 and various other matters; and

WHEREAS, this Amendment is made in accordance with Sections 16.3 and 19.2 of the Contract.

NOW THEREFORE IT IS HEREBY AGREED AS FOLLOWS:

Article 1
Scope

Except as modified herein, the terms of the Contract shall remain valid and in full force and effect. Notwithstanding the date hereof, it is hereby agreed between the Parties that the effective date of this Amendment is January 1, 2017 .

Article 2
Definitions

Any terms and phrases defined in the Contract and used herein shall have the same meaning as in the Contract unless the context herein otherwise provides. Section 1.2 (Definitions) of the Contract is amended as follows:

Section 1.2(ae) shall be deleted and replaced with the following language:

"1.2(ae) Tax Law means (i) for all time periods prior to and including December 31, 2016, Decree Law No. 1/1986 of February 10, of the Republic of Equatorial Guinea, as amended prior to the Effective Date and for the avoidance of doubt the applicable corporate income tax rate is twenty-five per cent (25%), and (ii) for all time periods commencing on or after January 1, 2017, Law No. 4/2004 of October 28, of the Republic of Equatorial Guinea, as amended prior to January 1, 2017, with the exception of the Corporate Income Tax (including the minimum income tax), which will be effective beginning on January 1, 2018. For the avoidance of doubt the applicable corporate income tax rate is twenty-five percent (25%) for 2017 and thirty-five percent (35%) beginning on January 1, 2018."

Article 3
Laws and Regulations

The following language shall be added at the end of Section 16.3:

"For all time periods commencing on or after January 1, 2017, this Section 16.3 shall not further apply to changes in tax conditions arising from Law No. 4/2004 of October 28, of the Republic of Equatorial Guinea, as amended prior to January 1, 2017 as the imbalance resulting from such changes has been resolved as provided for in Sections 7.4 and 7.13."

Article 4
Recovery of Petroleum Operating Costs and Sharing of Production

4.1 Section 7.4 of the Contract will be deleted and replaced with the following:

"7.4 Effective from January 1, 2018, the percentage of Net Crude Oil to which the STATE and CONTRACTOR are entitled in a particular Field will be triggered when the cumulative Crude Oil production produced, saved and sold from such Field reaches the corresponding tranche shown below:

Cumulative Production <u>Levels of Field</u>	STATE Share of <u>Net Crude Oil</u>	CONTRACTOR Share of <u>Net Crude Oil</u>
From 0 to 200 MMBO	7.7%	92.3%
Above 200 to 350 MMBO	19.2%	80.8%
Above 350 to 450 MMBO	30.8%	69.2%
Above 450 to 550 MMBO	42.3%	57.7%
More than 550 MMBO	53.8%	46.2%

MMBO means one million Barrels of Crude Oil."

4.2 A new paragraph 13 will be added to Section 7 as follows:

"7.13

- (a) On or after January 1, 2018, the minimum income tax amount shall be a fixed yearly amount of five million dollars of the United States of America (US\$ 5,000,000) gross for CONTRACTOR (Hess' share is US\$ 4,250,000; Tullow's share is US\$ 750,000), and the minimum income tax amount will be deducted from the corporate income tax amount in accordance with Art. 461 of Law No. 4/2004 of October 28, of the Republic of Equatorial Guinea, as has been amended prior to January 1, 2018; and
- (b) On or after January 1, 2017, if, with the exception of any additional tax arising due to the corporate income tax rate or minimum income tax, the CONTRACTOR or the parent company of the CONTRACTOR is required to pay any taxes or other levies under Law No. 4/2004 of October 28, of the Republic of Equatorial Guinea, as amended prior to January 1, 2017 in excess of those that would have arisen under Decree Law No. 1/1986 of February 10, of the Republic of Equatorial Guinea, as amended prior to the Effective Date the difference shall be fully and timely repaid to the CONTRACTOR by the STATE out of the STATE's share of Net Crude Oil and/or by a reduction of Royalty payments due to the

STATE in accordance with Section 7.2, and if due to an insufficiency in the STATE's Net Crude Oil share or Royalty, repayment does not fully occur within three months of the CONTRACTOR incurring the difference the Parties shall at the written request of one Party meet promptly to agree an alternative payment mechanism to ensure full and immediate repayment to the CONTRACTOR by the STATE."

4.3 A new paragraph 14 will be added to Section 7 as follows:

"7.14 To ensure that the CONTRACTOR or the parent company of the CONTRACTOR are not required to pay any taxes or other levies under Law No. 4/2004 of October 28, of the Republic of Equatorial Guinea, as amended prior to January 1, 2017 in excess of those that would have arisen under Decree Law No. 1/1986 of February 10, of the Republic of Equatorial Guinea, as amended prior to the Effective Date as provided in Section 7.13, and for the avoidance of doubt, the STATE and CONTRACTOR further agree as follows:

7.14.1 in the event of any conflict between the provisions of the Tax Law and the provisions of the Contract with respect to the payment, discharge or method of calculation of taxes, the provisions of the Contract shall control and continue to apply regardless of the change of Tax Law;

7.14.2 The STATE confirms that the CONTRACTOR can continue to operate through a branch, until the end of the Contract term, and will not be required at any time to establish a local affiliate under the laws of Equatorial Guinea or otherwise; and

7.14.3 The STATE confirms as per article 456 of the Law No. 4/2004 of October 28, of the Republic of Equatorial Guinea, as amended prior to January 1, 2017, no value added tax ("VAT") shall be applicable to goods and services used by CONTRACTOR, its contractors or subcontractors in or for Petroleum Operations."

Article 5 **Miscellaneous**

5.1 Each of the Parties shall carry out all acts and measures as shall be necessary to fully perform and carry out this Amendment.

5.2 This Amendment constitutes the entire agreement among the Parties and may not be amended or modified except by a written document signed by the Parties. In the event of any conflict between the provisions of this Amendment and the Contract with respect to the subject matter hereof, the provisions of this Amendment shall prevail.

5.3 This Amendment shall inure to the benefit of and be binding upon the successors and assignees of the Parties.

5.4 This Amendment shall become effective and shall have the force of law with effect as of January 1, 2017.

5.5 This Amendment is written and signed in six (6) copies, three (3) in Spanish and three (3) in English that shall constitute a single signed original. In the event of a conflict over the interpretation or implementation of the contents of this Amendment, the Spanish text shall prevail.

5.6 In the event of a dispute arising out of or related to the interpretation or meaning of this Amendment, the Consultation and Arbitration provisions of Section XIII of the Contract and the applicable law under Section XVI of the Contract shall apply.

IN WITNESS WHEREOF, the Parties hereto execute this Amendment on the day and year below indicated.

FOR THE REPUBLIC OF EQUATORIAL GUINEA

**THE MINISTRY OF MINES AND HYDROCARBONS
OF THE REPUBLIC OF EQUATORIAL GUINEA**

Name: /s/ Gabriel M. Obiang Lima
Gabriel M. Obiang Lima

Title: Minister of Mines and Hydrocarbons

Date: October 22, 2017

FROM THE CONTRACTOR:

HESS EQUATORIAL GUINEA, INC.

Name: /s/ Ryan Blake Lamothe
Ryan Blake Lamothe

Title: Attorney in Fact

Date: October 22, 2017

TULLOW EQUATORIAL GUINEA LIMITED

Name: /s/ Jean-Medard MADAMA
Jean-Medard MADAMA

Title: Asset Manager

Date: October 22, 2017

PRODUCTION SHARING CONTRACT
BETWEEN
THE REPUBLIC OF EQUATORIAL GUINEA
AND
GUINEA ECUATORIAL DEPETROLEOS
AND
KOSMOS ENERGY EQUATORIAL GUINEA

FOR
BLOCK “EG 21”

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THIS PRODUCTION SHARING CONTRACT is dated this ____ day of _____ 2017

BETWEEN:

- (1) **THE REPUBLIC OF EQUATORIAL GUINEA** (hereinafter referred to as the **State**), represented for the purposes of this Contract by the Ministry of Mines and Hydrocarbons, represented for purposes of its execution by His Excellency Mr. Gabriel Mbagi OBIANG LIMA, the Minister;
- (2) **GUINEA ECUATORIAL DE PETRÓLEOS** (hereinafter referred to as the **National Company**), acting in its own name and legal right for the purposes of this Contract and represented for purposes of its execution by Mr. Antonio OBURU ONDO, in his capacity as Director General; and
- (3) **KOSMOS ENERGY EQUATORIAL GUINEA**, a company organized and existing under the laws of the Cayman Islands, under company registration number **WT-269135** and having its registered office at do Circumference (Cayman), P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KYI-1209, Cayman Islands (hereinafter referred to as **Company**), represented for the purposes of this Contract by [*insert name* Andrew G. Inglis], in his capacity as [*insert position* President].

RECITALS:

- (A) **WHEREAS**, all Hydrocarbons existing within the territory of the Republic of Equatorial Guinea, as set forth in the Hydrocarbons Law, are national resources owned exclusively by the State;
- (B) **WHEREAS**, the State wishes to promote the development of Hydrocarbon deposits within the Contract Area and the Contractor desires to associate itself with the State with a view to accelerating the Development and Production of Hydrocarbons within the Contract Area;
- (C) **WHEREAS**, the Contractor has the financial ability, technical competence and professional skills necessary to carry out Petroleum Operations in accordance with this Contract and good oil field practices; and
- (D) **WHEREAS**, the Parties desire to enter into this Contract in accordance with the Hydrocarbons Law, which allows for agreements to be entered into between the State and foreign investors in the form of a production sharing contract, through direct negotiation or by international public tender.

NOW THEREFORE, in consideration of the undertakings and mutual covenants contained herein, the Parties agree as follows:

ARTICLE 1
DEFINITIONS AND SCOPE

1.1 Definitions

Except where the context otherwise indicates or as defined in the Hydrocarbons Law or Petroleum Regulations, the following words and expressions shall have the following meanings:

- 1.1.1 **Accounting Procedure** means the accounting procedure set forth in Annex C.
- 1.1.2 **Affiliated Company** or **Affiliate** of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control of such specified Person or other Person.
- 1.1.3 **Annual Budget** means the expenditure of the Contractor with respect to an Annual Work Program.
- 1.1.4 **Annual Work Program** means an itemized statement of the Petroleum Operations to be carried out in the Contract Area during a Calendar Year.
- 1.1.5 **Appraisal Area** means an area within the Contract Area encompassing the geographical extent of a Discovery that is subject to an Appraisal work program and corresponding budget in accordance with Article 5.2.
- 1.1.6 **Appraisal Well** means a Well drilled following a Discovery, with the objective of delimiting and mapping the reservoir, and also to estimate the quantity of recoverable Hydrocarbons.
- 1.1.7 **Associated Natural Gas** means all Natural Gas produced from a reservoir the predominant content of which is Crude Oil and which is separated from Crude Oil in accordance with generally accepted international petroleum industry practice, including free gas cap, but excluding any liquid Hydrocarbons extracted from such gas either by normal field separation, dehydration or in a gas plant.
- 1.1.8 **Barrel** means a quantity or unit of Crude Oil equal to 158.9874 liters (forty-two (42) United States gallons) at a temperature of fifteen point five six degrees (15.56°) Centigrade (sixty degrees (60°) Fahrenheit) and at one (I) atmosphere of pressure.
- 1.1.9 **BEAC** means Banco de los Estados de Africa Central (Bank of the States of Central Africa).
- 1.1.10 **Book Value** means the value at which the asset is carried on the balance sheet prepared in accordance with generally accepted accounting practices used in the international petroleum industry.
- 1.1.11 **Business Day** means a day on which the banks are generally open for business in Equatorial Guinea and Dallas, Texas.

- 1.1.12 **Calendar Year** or **Year** means a period of twelve (12) months commencing on 1 January and ending on the following 31 December of the same year according to the Gregorian Calendar.
- 1.1.13 **Change in Law** means, with respect to Article 25, any change in the laws, decrees, regulations or standards of Equatorial Guinea, effective as of January 1, 2017, including with respect to any fiscal, taxes, Customs, or currency control, any change in the interpretation or application of, or in the customs and practices related to, such laws (the provisions of this Contract are deemed to conform to said interpretation and application from the date hereof) Decrees, regulations or rules of Equatorial Guinea and excludes all laws, decrees, regulations or standards which: (i) are related to health, safety, labor and the environment, (ii) are consistent with the international practices and standards of the oil and gas industry, and (iii) are applied on a non-discriminatory basis.
- 1.1.14 **CIF** has the meaning set out in the publication of the International Chamber of Commerce, INCOTERMS 2010.
- 1.1.15 **Commercial Discovery** means a Discovery that the Contractor has determined to be economically viable and so submits a Development and Production Plan for such Discovery for the approval of the Ministry.
- 1.1.16 **Cost Recovery Oil** has the meaning ascribed to it in Article 7.2.1.
- 1.1.17 **Contractor** means **Company** and the National Company.
- 1.1.18 **Contract** means this production sharing contract, including its Recitals and Annexes.
- 1.1.19 **Contract Year** means a period of twelve (12) consecutive months according to the Gregorian calendar, counted from the Effective Date of this Contract or from the anniversary of such Effective Date.
- 1.1.20 **Contract Area** or **Area** means the geographic area within the territory of Equatorial Guinea, which is the subject of this Contract. Such Contract Area shall be described in Annex .A and illustrated in Annex B, as it may be changed by relinquishments of the Contractor in accordance with this Contract.
- 1.1.21 **Control**, when used with respect to any specified Person, means the power to direct, administer and dictate policies of such Person through the ownership of a percentage of such Person's equity sufficient to hold a majority of voting rights in an ordinary shareholders meeting. The terms **Controlling** and **Controlled** have meanings correlative to the foregoing.
- 1.1.22 **Crude Oil** means Hydrocarbons which are produced at the wellhead in a liquid state at atmospheric pressure including asphalt and ozokerites, and the liquid Hydrocarbons known as condensate and/or Natural Gas liquids obtained from Natural Gas by condensation or extraction through field separation units.
- 1.1.23 **Dated Brent** means a quote published daily in the Crude Oil Market Plans Bulletin that reflects the price of a North Sea Brent crude oil blend charge over a given period.

- 1.1.24 **Development and Production Plan** has the meaning ascribed to it in Article 5.5.1.
- 1.1.25 **Delivery Point** means that point located within the jurisdiction of Equatorial Guinea at which Hydrocarbons reach (i) the inlet flange at the FOB export 3 vessel, (ii) the loading facility metering station of a pipeline or (iii) such other point within the jurisdiction of Equatorial Guinea as may be agreed by the Parties.
- 1.1.26 **Development and Production Area** means an area within the Contract Area encompassing the geographical extent of a Commercial Discovery subject to a Development and Production Plan in accordance with Article 5.5.
- 1.1.27 **Development and Production Costs** means all costs, expenses and liabilities incurred by the Contractor in connection with Development and Production Operations in a Development and Production Area, excluding all Exploration Costs incurred in the Development and Production Area prior to the establishment of any Field, as determined in accordance with this Contract and the Hydrocarbons Law.
- 1.1.28 **Development and Production Operations** means all operations, other than Exploration Operations, conducted to facilitate the Development and Production of Hydrocarbons from the Contract Area to the Delivery Point, but excluding the refining and distribution of Hydrocarbon products.
- 1.1.29 **Development Well** means a Well, other than an Exploration Well or an Appraisal Well, drilled with the purpose of producing or improving the Production of Hydrocarbons, including Exploration Wells and Appraisal Wells completed as production or injection Wells.
- 1.1.30 **Discovery** means the finding by the Contractor of Hydrocarbons whose existence within the Contract Area was not known prior to the Effective Date or Hydrocarbons within the Contract Area which had not been declared a Commercial Discovery prior to the Effective Date and which are measurable by generally accepted international petroleum industry practices.
- 1.1.31 **Dividend Withholding Tax** has the meaning ascribed to it in Article 17.1.1.
- 1.1.32 **Dollars** or **\$** means the legal tender of the United States of America.
- 1.1.33 **Effective Date** means the date of receipt by the Contractor of the ratification by the State of this Contract pursuant to Article 31.
- 1.1.34 **Equatorial Guinea** means the Republic of Equatorial Guinea.
- 1.1.35 **Exploration Operations** include geological and geophysical studies, aerial mapping, investigations relating to subsurface geology, stratigraphic test drilling, Exploration Wells, Appraisal Wells and related activities such as drill site preparation, surveying and all work connected therewith that is conducted in relation to the Exploration for and Appraisal of Hydrocarbon deposits in the Contract Area.

- 1.1.36 **Exploration Costs** means all costs, expenses and liabilities incurred by the Contractor in connection with Exploration Operations in the Contract Area, as determined in accordance with this Contract and the Hydrocarbons Law.
- 1.1.37 **Extension Period** means the First Extension Period and the Second Extension Period individually.
- 1.1.38 **Exploration Periods** means the Initial Exploration Period, an Extension Period and any further extensions thereof as set out in Article 2.2.1.
- 1.1.39 **Exploration Well** means any Well whose sole objective is to verify the existence of Hydrocarbons or to study all the necessary elements that might lead to a Discovery.
- 1.1.40 **Field** means a Discovery or an aggregation of Discoveries that is established as a Field in accordance with Article 5 and can be developed commercially after taking into account all pertinent operational, economic and financial data collected during the performance of the Appraisal work program or otherwise, in accordance with generally accepted international petroleum practices. A Field may consist of a Hydrocarbon reservoir or multiple Hydrocarbon reservoirs all grouped on or related to the same individual geological structural or stratigraphic conditions, or areas that are not related but will be developed by using a single Development and Production Plan. All deposits superimposed, adjacent to or underlying a Field in the Contract Area shall form part of the said Field.
- 1.1.41 **FOB** has the meaning set out in the publication of the International Chamber of Commerce, INCOTERMS 2010.
- 1.1.42 **First Extension Period** means the period of one (1) Contract Year commencing immediately after the conclusion of the Initial Exploration Period.
- 1.1.43 **First Exploration Sub-Period** means the first **three (3)** Contract Year(s) of the Initial Exploration Period.
- 1.1.44 **First Oil** means, in respect of each Development and Production Area, the date on which production of Hydrocarbons under a program of regular production, lifting and sale commences.
- 1.1.45 **Gross Revenues** means the total income from sales of Total Disposable Production plus the equivalent monetary value of any other disposal of Total Disposable Production from the Contract Area during any Calendar Year.
- 1.1.46 **Hydrocarbons** means all natural organic substances composed of carbon and hydrogen, including Crude Oil and Natural Gas that may be found and extracted from, or otherwise produced and saved from the Contract Area.
- 1.1.47 **Hydrocarbons Law** means Law No. 8/2006 dated 3 November 2006 of Equatorial Guinea, and any law that amends it or replaces it.
- 1.1.48 **Initial Exploration Period** means a period of **five (5)** Contract Years from the Effective Date, subdivided into two sub-periods of **three (3)** Contract Years for the First

Exploration Sub-Period and two (2) Contract Years for the Second Exploration Sub-Period.

- 1.1.49 **Joint Operating Agreement** or **JOA** means the joint operating agreement that regulates the internal relations of the Parties comprising the Contractor for the conduct of Petroleum Operations in the Contract Area.
- 1.1.50 **LIBOR** means the interest rate at which Dollar deposits of six (6) months duration are offered in the London Inter Bank Market, as published in the Financial Times of London. The applicable LIBOR rate for each month or part thereof within an applicable interest period shall be the interest rate published in the Financial Times of London on the last Business Day of the immediately preceding calendar month. If no such rate is quoted in the Financial Times of London during a period of five (5) consecutive Business Days, another rate (for example, the rate quoted in the Wall Street Journal) chosen by mutual agreement between the Ministry and the Contractor will apply.
- 1.1.51 **Market Price** means the FOB price for Crude Oil calculated in accordance with Article 10.
- 1.1.52 **Material Contract** means a contract with a value greater than five hundred thousand Dollars (\$500,000) with respect to Exploration Operations or to one million Dollars (\$1,000,000) in respect of Development Operations or Production Operations with (i) a Operator Affiliate, when the contract has not been previously and specifically approved in an Annual Budget as a contract to be carried out by an Affiliate or (ii) a non-Affiliate of the Operator. In the event that a law or regulation establishes a value higher than that stipulated in this definition for the supervision of contracts by the State, this definition will be amended to reflect the new higher limit.
- 1.1.53 **Maximum Efficient Production Rate** means the maximum efficient production rate of Hydrocarbons from a Field, that does not damage reservoir formations and does not cause excessive decline or loss of reservoir pressure in accordance with good oil field practice and as agreed in accordance with Article 6.4.
- 1.1.54 **Member State of CEMAC** means a country that is a member of the Central African Economic and Monetary Community.
- 1.1.55 **Member State of the OHADA** means a country that is a member of the Organization for the Harmonization of Commercial Law in Africa.
- 1.1.56 **Minimum Retention** means that the Operator and its Affiliates shall maintain a minimum deposit amount. This amount shall be measured annually and per Calendar Year, at one or more banks chosen by the Operator and operating in Equatorial Guinea. The amounts will be as follows:
- a) From the effective date until the approval of the first Development and Production Plan, a deposit amount equivalent to ten per cent (10 %) of the Annual Budget applicable to such Calendar Year;

- b) From the approval of the first Development and Production Plan, and until First Oil, a deposit amount equivalent to point five per cent (0.5 %) of the Annual Budget applicable to such Calendar Year; and
- c) From First Oil until the end of Operations,, a deposit amount equivalent to a five per cent (5 %) of the Annual Budget applicable to such Calendar Year; provided that
- d) If, at any time, a later Development and Production Plan is approved and should this Plan require a development operation, the deposit amount required shall return to a point five per cent (0.5 %) of the Annual Budget applicable to such Calendar Year, until the year following the year during which the development operations foreseen in such Development and Production Plan cease to exist.

1.1.57 **Minimum Work Program** has the meaning ascribed to it in Article 3.1.

1.1.58 **Ministry** means the Ministry of Mines and Hydrocarbons of Equatorial Guinea, the entity responsible for supervising Petroleum Operations in coordination with other Government bodies within the respective areas of their competence, and any successor.

1.1.59 **National Company** for the purposes of this Contract, means Equatorial Guinea of Petroleum (GEPetrol), as a national oil company of Equatorial Guinea; or any successor state company.

1.1.60 **National Company's Participation Interest** means the Participation Interest of the National Company as set forth in Article 1.3.

1.1.61 **Natural Gas** means those Hydrocarbons that, at atmospheric conditions of temperature and pressure, are in a gaseous state including dry gas, wet gas and residual gas remaining after extraction, treatment, processing, or separation of liquid Hydrocarbons from wet gas, as well as gas or gases produced in association with liquid or gaseous Hydrocarbons.

1.1.62 **Net Crude Oil** has the meaning ascribed to it in Article 7.3.

1.1.63 **Net Natural Gas** has the meaning ascribed to in Article 13.3.5.

1.1.64 **Parties** or **Party** means the parties or a party to this Contract, as the context may require.

1.1.65 **Participation Interest** means for each Party comprising the Contractor, the undivided percentage share of such Party in the rights and obligations under this Contract, as is specified in Article 1.3.

1.1.66 **Person** means any individual, firm, company, corporation, society, trust, foundation, government, state or agency of the state or any association or partnership (whether or not having separate legal personality) or two or more of these.

1.1.67 **Petroleum Operations** means all operations related to Exploration, Development, Production, transportation, storage, conservation, decommissioning, sale and/or other disposal of Hydrocarbons from the Contract Area to the Delivery Point and any other

work or activities necessary or ancillary to such operations; these operations and activities shall be carried out in accordance with this Contract and the Hydrocarbons Law and shall not include transport outside of Equatorial Guinea.

- 1.1.68 **Petroleum Operations Costs** means Exploration Costs and/or Development and Production Costs (as the context may require) incurred by the Contractor in the carrying out of Petroleum Operations, as determined in accordance with this Contract and the Accounting Procedure.
- 1.1.69 **Petroleum Regulations** means all regulations promulgated by the Ministry pursuant to the Hydrocarbons Law.
- 1.1.70 **Platts** means Platts Crude Oil Marketwire, or if Platts Crude Oil Marketwire ceases to be published then another similar daily international publication that lists benchmark crude oil prices and which is agreed at the time between the Parties.
- 1.1.71 **Quarter** means a period of three (3) consecutive months beginning on 1 January, 1 April, 1 July or 1 October and ending on 31 March, 30 June, 30 September or 31 December, respectively.
- 1.1.72 **Reserve Fund** has the meaning ascribed to it in Article 24.3.1.
- 1.1.73 **Royalties** means an entitlement of the State over Hydrocarbons produced and saved from the Contract Area, and not utilized in Petroleum Operations, based on percentages calculated as a function of the daily rate of the Total Disposable Production as determined in accordance with Article 7.1.
- 1.1.74 **Second Extension Period** means the period of one (1) Contract Year commencing immediately after the end of the First Extension Period.
- 1.1.75 **Second Exploration Sub-Period** means the final two (2) Contract Year(s) of the Initial Exploration Period.
- 1.1.76 **Taxes** mean the coercive financial payments in accordance to the Tax Laws, that the State, local authorities and/ other public entities, demand in the exercise of their sovereign power. These taxes will be levied on each of the Parties comprising the Contractor and all other applicable Persons.
- 1.1.77 **Tax Laws** means Law No. 4/2004 dated 28 October 2004 of Equatorial Guinea, and Law No. 2/2007 dated 16 May 2007 of Equatorial Guinea, and any law that amends one or both of them or replaces one or both of them.
- 1.1.78 **Transfer Fee** has the meaning ascribed to in Article 17.2.1.
- 1.1.79 **Total Disposable Production** means all Hydrocarbons produced and saved from a Development and Production Area less the quantities used for Petroleum Operations.
- 1.1.80 **Unassociated Natural Gas** means all gaseous Hydrocarbons produced from Natural Gas reservoirs, and includes wet gas, dry gas and residual gas remaining after the extraction of liquid Hydrocarbons from wet gas.

1.1.81 **Well** means any opening in the ground or seabed made or being made by drilling or boring, or in any other manner, for the purpose of exploring and/or discovering, evaluating or producing Crude Oil or Natural Gas, or for the injection of any fluid or gas into an underground formation other than a seismic hole.

1.1.82 **Withholding Tax Waiver** has the meaning ascribed to it in Article 17.1.1.

1.2 Scope

1.2.1 This Contract is a production sharing contract awarded pursuant to Chapter IV of the Hydrocarbons Law. In accordance with the provisions of this Contract and the Hydrocarbons Law, the Ministry shall be responsible for supervising Petroleum Operations in the Contact Areas.

1.2.2 The State grants to the Contractor the sole and exclusive right and charge of conducting all Petroleum Operations in the Contract Area during the term of this Contract. In consideration of this, the Contractor shall:

- a) be responsible to the State as an independent contractor, for the execution of the Petroleum Operations in accordance with the provisions of this Contract and the Hydrocarbons Law;
- b) provide all funds, machinery, equipment, technology and personnel prudent and necessary to conduct Petroleum Operations; and
- c) diligently, with due regard to good oil field practice, perform at its exclusive responsibility and risk all investments and contractual obligations necessary for conducting Petroleum Operations in accordance with this Contract.

1.2.3 All Petroleum Operations Costs shall be recoverable and deductible for tax purposes in the manner set forth in this Contract and the Hydrocarbons Law.

1.2.4 During the term of this Contract, the total Production achieved as a consequence of Petroleum Operations shall be shared between the Parties in accordance with Article 7.

1.3 Participation Interests

On the Effective Date the Participation Interests of the Parties comprising the Contractor are as follows:

Kosmos Energy	80%
The National Company (GEPetrol)	20%
Total	100%

ARTICLE 2 EXPLORATION PERIOD AND RELINQUISHMENTS

2.1 Initial Exploration Period

As of and from the Effective Date, the Contractor is authorized to conduct Exploration Operations in the Contract Area during the Initial Exploration Period.

- 2.1.1 Upon the fulfillment by the Contractor of its Exploration obligations set forth in Article 3.1.1 with respect to the First Exploration Sub-Period, the Contractor may elect to enter the Second Exploration Sub-Period.
- 2.1.2 To elect to enter the Second Exploration Sub-Period, the Contractor shall file a request with the Ministry at least two (2) months prior to the expiry of the First Exploration Sub-Period. The Ministry shall not unreasonably withhold or delay the granting of such request; provided that the Contractor has complied with all of its obligations in the First Exploration Sub-Period and shall not be otherwise in breach of this Contract.

2.2 Extension Periods

- 2.2.1 Upon the fulfillment by the Contractor of its Exploration obligations set forth in Articles 3.1.1 and 3.1.2 with respect to the Initial Exploration Period, the Contractor may request up to two (2) extensions of one (1) year each of the Initial Exploration Period.
- 2.2.2 For each Extension Period, the Contractor shall file a request with the Ministry at least two (2) months prior to the expiry of the Initial Exploration Period, or as the case may be, the First Extension Period. The Ministry shall not unreasonably withhold or delay the granting of such Extension Period; provided that the Contractor has complied with all of its obligations in the Initial Exploration Period and the First Extension Period, as applicable, and shall not be otherwise in breach of this Contract.
- 2.2.3 Each request for an Extension Period shall be accompanied by a map specifying the Contract Area proposed to be retained by the Contractor, along with a report specifying any work performed in the proposed relinquished area since the Effective Date and the results obtained therefrom.
- 2.2.4 If upon expiry of the Initial Exploration Period, or of any Extension Period, any Appraisal work program with respect to a Discovery is still under progress or an Exploration Well is still under progress, the Contractor shall be entitled to an additional extension of the then current Exploration Period necessary to complete the work in progress. Furthermore, where Appraisal work has not yet been completed by the Contractor at the time at which a relinquishment contemplated by Article 2.4 is due, the requirement to relinquish shall be suspended until such time that the Contractor completes the said Appraisal work, commerciality is determined and, if applicable, the related establishment of a Field is approved or denied. Any additional extension granted under this Article 2.2.4 shall not exceed one (1) Contract Year, or such longer period as may be approved by the Ministry, plus the period of time established under Article 5 necessary for the evaluation of a marketing plan, the preparation of a Development and Production Plan and the Ministry's response.
- 2.2.5 In the event additional time is needed to complete said Appraisal work as set out in Article 2.2.4, the Contractor shall file a request for an extension with the Ministry at least two (2) months prior to the expiry of the current Initial Exploration Period or

Extension Period, as applicable. In the event additional time is needed to complete an Exploration Well still under progress, the current Initial Exploration Period or Extension Period, as applicable, upon notification to the Ministry, will be extended automatically for such time necessary to complete said Exploration Well and an additional thirty (30) days to allow for the time to deliver the notice of Discovery as required in Article 5.1.

2.3 Termination

Should the Contractor decide:

- (a) not to extend the Initial Exploration Period (or not to enter the Second Exploration Sub-Period) and no Field has been established during such period; or
- (b) to extend the Initial Exploration Period and no Field has been established during an Extension Period or any additional extension thereof,

this Contract shall automatically terminate.

2.4 Mandatory Relinquishments

2.4.1 The Contractor must relinquish to the State thirty percent (30%) of the initial surface area of the Contract Area by the end of the Initial Exploration Period, twenty-five percent (25%) of the remaining area by the end of the First Extension Period, and the remainder of the Contract Area by the end of the Second Extension Period, or at the end of the Initial Exploration Period or the First Extension Period, if no further extension is requested by the Contractor. To determine the area or areas which the Contractor shall relinquish, the following areas shall be excluded for the purposes of such calculation:

- (a) areas designated as an Appraisal Area;
- (b) Development and Production Areas;
- (c) areas for which the approval of a Development and Production Plan is pending, until finally decided;
- (d) the area of any Field, including any Field which may be subject to unitization pursuant to Article 22; and
- (e) any area reserved for a possible Unassociated Natural Gas Appraisal in relation to which the Contractor is engaged in discussions with the Ministry in accordance with Article 13.1.

2.4.2 Upon expiry of the applicable final extension period indicated in Article 2.2, and subject to the provisions of Article 2.2.4, the Contractor shall relinquish the remainder of the Contract Area, with the exception of:

- (a) Development and Production Areas;
- (b) those areas for which an application for a Development and Production Area is pending, until finally decided;

- (c) the area of any Field, including any Field which may be subject to unitization pursuant to Article 22; and
- (d) any area reserved for a possible Unassociated Natural Gas Appraisal in relation to which the Contractor is engaged in discussions with the Ministry in accordance with Article 13.

2.5 Voluntary Relinquishments

- 2.5.1 Subject to the Contractor's obligations under Article 24 and the Hydrocarbons Law, the Contractor may at any time notify the Ministry upon three (3) months prior notice that it relinquishes all of its rights over all or any part of the Contract Area.
- 2.5.2 In no event shall any voluntary relinquishment by the Contractor of rights over all or any part of the Contract Area reduce the Exploration obligations of the Contractor set forth in Article 3.

2.6 Involuntary Relinquishments

- 2.6.1 Should the Contractor, during the First Exploration Sub-Period (as may be extended), (i) be unable to fulfill its Minimum Work Program pursuant to Article 3.1.1(a) or (ii) be unable fulfill its Minimum Work Program pursuant to Article 3.1.1(b), excluding for reasons of Force Majeure or acts or failure to act by the State, including failure to deliver the data package referenced in Article 3.1.1(b), then the Contractor will relinquish all its rights on the whole of the Contract Area at the end of the First Exploration Sub-Period (as may be extended).

2.7 Relinquishments Generally

- 2.7.1 No relinquishment made in accordance with Articles 2.4 or 2.5 shall relieve the Contractor from its obligation to pay surface rentals accrued or make payments due and payable as a result of Petroleum Operations conducted up to the date of relinquishment.
- 2.7.2 The Contractor shall, in accordance with good oil field practice, propose the geographic location of the portion of the Contract Area that it proposes to retain, and which shall have a continuous geometric shape going from North to South and East to West delimited as a minimum by one minute (1') of latitude or longitude or by natural boundaries and such area shall also be subject to the approval of the Ministry and shall be deemed approved after sixty (60) days.

ARTICLE 3 EXPLORATION WORK OBLIGATIONS

3.1 Minimum Work Program

During the Exploration Period, the Contractor undertakes to carry out the following Minimum Work Program:

- 3.1.1 During the First Exploration Sub-Period, the Contractor must:

- (a) acquire, process, and interpret **2,250 square** kilometers of new 3D seismic data; and acquire all existing data packages (both seismic and well) over the Area for \$1,076,000. All costs of data acquisition shall be cost recoverable.
 - (b) The minimum expenditure for this Sub-Period shall be **seven million Dollars (\$7,000,000)**.
- 3.1.2 During the Second Exploration Sub-Period, the Contractor must drill a minimum of **one (1)** Exploration Well to a minimum depth of the deepest target interval in the approved well program. The minimum expenditure for this period shall be **thirty million Dollars (\$30,000,000)**.
- 3.1.3 If the Contractor elects to enter the First Extension Period, the Contractor must perform technical work on geological and geophysical studies and surveys. The minimum expenditure for this period shall be seven hundred thousand Dollars (**\$700,000**).
- 3.1.4 If the Contractor elects to enter the Second Extension Period, the Contractor must drill a minimum of **one (1)** Exploration Well to a minimum depth of the deepest target interval in the approved well program. The minimum expenditure for this period shall be **thirty million Dollars (\$30,000,000)**.
- 3.1.5 However, if the Contractor has performed work exceeding the Minimum Work Program required of it under any of Articles 3.1.1, 3.1.2 or 3.1.3, then the excess work, including Wells, is carried over to the next Sub-Period or Extension Period, and shall be deducted from the Minimum Work Program and the minimum expenditure for such next Sub-Period or Extension Period.
- 3.1.6 If the Contractor fulfills the Minimum Work Program (as set out in Articles 3.1.1, 3.1.2, 3.1.3, and 3.1.4) as applicable for each such Sub-Period and Extension Period, then the Contractor shall be deemed to have satisfied the minimum expenditure for each such Sub-Period and Extension Period, as applicable.

3.2 Minimum Depth of Wells

- 3.2.1 Each Exploration Well set forth above must be drilled to the minimum depth specified above in Article 3.1.2 or 3.1.4, as the case may be, or to a lesser depth if authorized by the Ministry in accordance with this Article or if discontinuing drilling is justified by one of the following reasons:
- (a) the economic basement is encountered at a depth less than the stipulated minimum contractual depth;
 - (b) continued drilling is clearly dangerous because of abnormal pressure in the formation;
 - (c) rock formations are encountered, the hardness of which makes it impracticable to continue drilling with appropriate equipment; or

- (d) Hydrocarbon bearing formations are encountered that require the installation of protective casings which excludes the possibility of reaching the minimum contractual depth.

3.2.2 For the purposes of Article 3.2.1, economic basement means any stratum in and below which the geological structure or physical characteristics of the rock sequence do not have the properties necessary for the accumulation of Hydrocarbons in commercial quantities and which also reflects the maximum depth at which any accumulation of this type can be reasonably expected.

3.3 Cessation of Drilling

In respect of Article 3.2.1(b) and to the extent practicable where a prudent operator would immediately cease drilling operations, the Contractor shall inform the Ministry prior to the interruption or cessation of any drilling. The Ministry shall respond as soon as practicable and in any event within three (3) days counted from the date of receipt of such request.

3.4 Substitute Wells

If any obligatory Exploration Well is abandoned due to events or problems as set out in Article 3.2.1 (a), (b), (c) and (d) and, at the time of such abandonment, the Exploration Costs for such Well have equaled or exceeded **thirty million Dollars (\$30,000,000)**, for all purposes of this Contract, the Contractor shall be deemed to have fulfilled the Minimum Work Program obligations for the relevant period. If any obligatory Exploration Well is abandoned due to insurmountable technical problems, and if at the time of such abandonment, the Exploration Costs for such Well are less than **thirty million Dollars (\$30,000,000)** then the Contractor shall have the option to either:

- (a) drill a substitute Exploration Well at the same or another location to be agreed with the Ministry; or
- (b) pay the Ministry an amount equal to the difference between **thirty million Dollars (\$30,000,000)** and the amount of Exploration Costs actually spent in connection with such Exploration Well; and
- (c) such substitute well or payment per Articles 3.4(a) or (b) shall be deemed to have fulfilled the Minimum Work Program obligations for the relevant Sub-Period or Extension Period.

3.5 Provision of Guarantee

On or prior to the Effective Date, each of the Parties comprising the Contractor (other than the National Company) shall provide to the State, at the sole discretion of the Ministry, either (i) a parent company guarantee in the form set forth in Annex D from a company acceptable to the Ministry in the amount of **two hundred million Dollars (\$200,000,000)**, or (ii) an irrevocable standby letter of credit from a first class international financial institution acceptable to the Ministry in the amount of the minimum expenditure obligations of the Contractor corresponding to the Minimum Work Program of the then current Sub-Period or Extension Period, as applicable, and which

shall remain valid and effective for six (6) months after the end of the relevant Sub-Period, any Extension Period and any additional extension thereof, as applicable. If the Parties comprising the Contractor (other than the National Company) fail to deliver to the Ministry the required guarantee within fifteen (15) Business Days from the Effective Date, this Contract shall be considered null and void without any further procedure or notice.

3.6 Participation Interest of the National Company

For the purposes of this Article 3 any expenditure of the Parties comprising the Contractor (other than the National Company) under Article 8.2 shall be treated as an expenditure for the purpose of satisfying the minimum expenditure obligations set out herein.

ARTICLE 4 ANNUAL WORK PROGRAMS AND BUDGETS

4.1 Submission of Annual Work Program

No later than ninety (90) days prior to the beginning of each Calendar Year, or for the first Calendar Year no later than sixty (60) days after the Effective Date, the Contractor shall prepare and submit for approval by the Ministry a detailed and itemized Annual Work Program divided into Quarters, along with the corresponding Annual Budget for the Contract Area setting forth the Petroleum Operations the Contractor proposes to carry out during such Calendar Year. The Annual Budget shall be presented in the official format of the Ministry.

4.2 Form and Approval of Annual Work Program

Each Annual Work Program and corresponding Annual Budget shall be broken down into the various Exploration Operations and, as applicable, the Appraisal operations for each Appraisal Area and the Development and Production Operations for each Development and Production Area. The Ministry may propose amendments or modifications to the Annual Work Program and corresponding Annual Budget, by giving notice to the Contractor and including reasons for such amendments or modifications, within sixty (60) days following receipt of such Annual Work Program and Annual Budget. In such event the Ministry and the Contractor shall meet as soon as possible to review the amendments or modifications proposed by the Ministry and establish by mutual agreement the Annual Work Program and corresponding Annual Budget. The parts of the Annual Work Program for which the Ministry does not require amendment or modification will be deemed approved and must be completed by the Contractor within the stated time period, provided they may be undertaken on an individual basis. With respect to the parts of the Annual Work Program for which the Ministry proposes any amendment or modification, the date of approval of the Annual Work Program and corresponding Annual Budget shall be the date on which the Ministry and the Contractor reach the aforementioned mutual agreement. In the event the Ministry and the Contractor do not reach an agreement regarding the amendments and modifications proposed by the Ministry before the end of the Calendar Year in which the Annual Work Plan and corresponding Annual Budget were submitted, the Contractor shall continue operating

pursuant to the most recent Annual Work Plan and corresponding Annual Budget approved by the Ministry until a mutual agreement is reached of Petroleum Operations.

4.3 Conduct of Petroleum Operations

The Contractor shall diligently and properly perform the Petroleum Operations with diligence, efficiency and economy, in accordance with accepted international petroleum industry practices under the same or similar circumstances and the terms of this Contract and the Hydrocarbons Law,

4.4 Overexpenditures

4.4.1 It is acknowledged by the Ministry and the Contractor that the technical results acquired as work progresses or the occurrence of certain unforeseen changes in circumstances may justify modifications to an approved Annual Work Program and corresponding Annual Budget. In such circumstances, the Contractor shall promptly notify the Ministry of the proposed modifications. Such modifications are subject to review and approval by the Ministry within sixty (60) days after receipt of such notice. Failure of the Ministry to approve or reject such proposed modifications within such sixty (60) day period shall be deemed to be an approval of such proposed modifications. Notwithstanding the foregoing and in no event shall the Contractor incur any line item expenditure which exceeds an approved Annual Budget line item by more than ten percent (10%), provided that the cumulative total of all overexpenditures for a Calendar Year shall not exceed five percent (5%) of the total approved Annual Budget without the prior approval of the Ministry; otherwise such excess expenditures shall not be recoverable as a Petroleum Operations Cost or deductible for tax purposes.

4.4.2 At such time that the Contractor reasonably believes that the limits of an Annual Budget will be exceeded, the Contractor shall promptly notify the Ministry and shall provide the Ministry with full details of such overexpenditures, including reasons therefor.

4.4.3 The limitations set out in this Article 4.4 shall be without prejudice to the Contractor's right to make expenditures in the event of an emergency or accident requiring urgent action under Article 4.5.

4.4.4 Save as otherwise provided in Article 4.5, should the Contractor incur any expenditure whose program and budget has not been approved within an Annual Work Program and corresponding Annual Budget or any amendment thereto approved by the Ministry, then such expenditure shall not be recoverable by the Contractor as a Petroleum Operations Cost or be deductible for tax purposes.

4.5 Emergency or Accident

4.5.1 In the event of an emergency or accident requiring urgent action, the Contractor shall take all steps and measures as may be prudent and necessary in accordance with good oil field practice for the protection of its interests and those of the State and the property, life and health of other Persons, the environment and the safety of Petroleum Operations. The Contractor shall promptly inform the Ministry of such emergency or accident.

4.5.2 All of the related costs incurred by the Contractor in accordance with this Article 4.5 shall be recoverable as Petroleum Operations Costs in accordance with this Contract. Notwithstanding the foregoing, all costs incurred by the Contractor in the cleaning up of pollution or damage to the environment caused by the gross negligence or willful misconduct of the Contractor, its subcontractors or any Person acting on its or their behalf shall not be recoverable as a Petroleum Operations Cost.

ARTICLE 5 APPRAISAL OF A DISCOVERY AND PRODUCTION PERIOD

5.1 Notification of Discovery

If the Contractor discovers Hydrocarbons in the Contract Area it shall notify the Ministry as soon as possible, but not later than thirty (30) days after the date of such Discovery. This notice shall include all relevant information in accordance with generally accepted practice of the international petroleum industry including particulars of any production testing program which the Contractor has carried out or proposes to carry out during drilling operations.

5.2 Appraisal Work Program

5.2.1 If the Contractor considers that the Discovery merits Appraisal it shall diligently submit to the Ministry a detailed Appraisal work program and corresponding budget no later than six (6) months following the date on which the Discovery was notified in accordance with Article 5.1. The Appraisal work program, corresponding budget and designated Appraisal Area are subject to the review and approval of the Ministry in accordance with the procedures set forth in Article 4.

5.2.2 The draft Appraisal work program shall specify the estimated size of the Hydrocarbon reserves of the said Discovery, the area proposed to be designated as the Appraisal Area and shall include all seismic, drilling, testing and Appraisal operations necessary to carry out an appropriate Appraisal of the Discovery. The Contractor shall diligently undertake the approved Appraisal work program, it being understood that the provisions of Article 4.4 shall apply to such program.

5.2.3 The duration of the Appraisal work program shall not exceed twenty-four (24) months for Crude Oil and in the case of Natural Gas the duration of the Appraisal work program shall be determined in accordance with the provisions of Article 13, unless as otherwise approved by the Ministry, such approval not to be unreasonably withheld or delayed.

5.3 Submission of Appraisal Report

5.3.1 Within six (6) months following completion of the Appraisal work program and in any event no later than thirty (30) days prior to the expiry of the Initial Exploration Period, or the First Extension Period or the Second Extension Period, including any additional extension in accordance with the provisions of Article 2.2, as may be the case, the Contractor shall submit to the Ministry a detailed report giving all the technical and economic information associated with the Discovery so appraised and which shall confirm, in the Contractor's opinion, whether such Discovery is a Commercial Discovery.

5.3.2 The above-referred report shall include geological and petrophysical characteristics of the Discovery, estimated geographical extent of the Discovery, results of the production tests yielded by the formation and the preliminary economic study with respect to the exploitation of the Discovery.

5.4 **Determination of Commerciality**

For the purposes of Article 5.3, the Contractor shall determine whether it considers that a Discovery or aggregation of Discoveries can be developed commercially. The commercial viability of the Discovery or aggregation of Discoveries shall be determined after consideration of all pertinent operating, economic and financial data collected during the performance of the Appraisal work program and otherwise, including Crude Oil and Natural Gas recoverable reserves, sustainable Production levels and all other relevant economic factors, according to generally accepted international petroleum industry practice.

5.5 **Submission and Approval of Development and Production Plan**

5.5.1 If the Contractor deems the Discovery or aggregation of Discoveries to be a Field it shall submit for the approval of the Ministry a development and production plan (the **Development and Production Plan**) for such Discovery or aggregation of Discoveries within twelve (12) months following the remittance of the report referred to in Article 5.3.

5.5.2 The Ministry may propose amendments or modifications to the aforementioned Development and Production Plan, and also to the Development and Production Area subject to such Development and Production Plan, by notice to the Contractor within ninety (90) days following receipt of the relevant plan. Such notification shall set out the reasons for the amendments or modifications proposed by the Ministry. In such event the Ministry and the Contractor shall meet as soon as possible to review the proposed amendments or modifications of the Ministry and establish by mutual agreement the Development and Production Plan.

5.5.3 If (i) the Contractor and the Ministry do not reach a written agreement within one hundred eighty (180) days following the submission of amendments and modifications by the Ministry, or (ii) the Ministry notifies the Contractor that it does not approve the Development and Production Plan, within thirty (30) Business Days of the occurrence of either (i) or (ii) above, the Parties shall meet to assess the discrepancies in accordance with articles 49 and 50 of the Petroleum Regulations; if an agreement is not reached, the points of discrepancies shall be referred to and shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding upon the Parties, including the Ministry, and, if should it not be complied with pursuant to Equatorial Guinea legislation, either Parties may refer the matter to arbitration under Article 26 to reach a final and binding decision.

5.6 **Modifications to Development and Production Plan**

5.6.1 When the results obtained during Development and Production Operations require certain modifications to the Development and Production Plan, such plan may be

modified using the same procedure provided for with respect to the initial approval thereof. Subject to Article 4.4, the Contractor may not incur any expenditure which exceeds the approved Development and Production Plan without the prior approval of the Ministry; if prior approval is not obtained, such excess expenditures will not be recoverable by the Contractor as Petroleum Operations Costs or deductible for tax purposes.

5.6.2 During a period of Development and Production, the Contractor may propose to the Ministry revisions to the Development and Production Plan at any time that additional Development and Production Operations are under consideration. Such revisions shall be submitted for approval by the Ministry, using the same procedure provided for with respect to the initial approval thereof.

5.7 Number of Fields

If the Contractor discovers more than one (I) Field in the Contract Area which are not overlying, adjacent to or underlying an existing Field, each of them shall be the subject of a separate Development and Production Plan.

5.8 Extension of Field beyond Contract Area

5.8.1 If, during work performed after approval of a Development and Production Plan, it appears that the geographical extent of a Field is larger than the Development and Production Area designated pursuant to Article 5.5, the Ministry may grant the Contractor the additional area, on condition that it is included in the Contract Area in effect at that time, and provided that the Contractor provides supporting evidence of the existence of the additional area applied for.

5.8.2 In the event that a Field extends beyond the boundaries of the Contract Area as delimited at any particular time, the Ministry may require the Contractor to exploit such Field in association with the contractor of the adjacent area in accordance with Article 22, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

5.8.3 When the area proposed to be unitized is not subject to any production sharing contract, the Ministry may grant the Contractor the additional area, on condition that it is included in the Contract Area in effect at that time, it being understood that any award of an additional area must be in accordance with the Hydrocarbons Law.

5.9 Commencement and Performance of Development and Production Operations

5.9.1 The Contractor shall commence Development and Production Operations within six (6) months from the date of approval of the Development and Production Plan and shall pursue such operations diligently.

5.9.2 The Contractor undertakes to perform all Development and Production Operations in accordance with generally accepted practice of the international petroleum industry, this Contract and the Hydrocarbons Law.

5.10 Duration of Operations

5.10.1 The duration of the Development and Production period during which the Contractor is authorized to exploit a Field is twenty-five (25) Years from the date of approval of the Development and Production Plan related to such Field.

The Development and Production period defined above may be extended for an additional period of five (5) Years with prior approval of the Ministry, which approval shall not be unreasonably withheld or delayed, if the Contractor submits a request to this effect to the Ministry at least one (1) Year prior to its expiry and on the condition that the Contractor has fulfilled all of its obligations under this Contract and that it can demonstrate that commercial Production from the Field is still possible after the expiry of the initial Development and Production period.

5.11 Risk and Expense of Contractor

The Contractor undertakes to perform at its own expense and financial risk all the Petroleum Operations required to place a Field into Production in accordance with the Development and Production Plan so approved.

5.12 Mandatory Relinquishment

For the duration of the Initial Exploration Period, the Extension Periods and any additional extension thereof, the Ministry may, provided it gives at least six (6) months' notice, require the Contractor to promptly relinquish, without any compensation or indemnification, all of its rights over the area encompassing a Discovery, including all of its rights over Hydrocarbons which may be produced from such Discovery, if the Contractor:

- (a) has not submitted, in accordance with Article 5.2, an Appraisal work program and corresponding budget with respect to such Discovery within six (6) months following the date on which such Discovery has been notified to the Ministry; or
- (b) subject to Article 13.1 regarding Unassociated Natural Gas, does not establish the Discovery as a Field within one (1) Year after completion of Appraisal work with respect to such Discovery.

5.13 Future Operations

In the event of a relinquishment under Article 5.12, the Ministry may perform or cause to be performed any petroleum operations with respect to any Discovery so relinquished without any compensation or indemnification to the Contractor, provided, however, that it shall not interfere with the Petroleum Operations undertaken by the Contractor in the part of the Contract Area retained by the Contractor, if any. The Ministry shall be permitted to use (free of charge) all facilities and equipment in the relinquished Discovery area of the Contractor that are not used for continuing Petroleum Operations in accordance with Article 51 of the Petroleum Regulations, Ministerial Order Number 4/2013, dated June 20 2013, as may be amended. If requested by the Ministry all continuing operations may be undertaken by the Contractor, if so agreed, for a fee and on terms to be agreed between the Ministry and the Contractor.

5.14 Available Facilities

In the event there are facilities and equipment in an area adjacent to or near the Contract Area which have excess capacity that could be utilized by Contractor, the Ministry may, considering the efficiency and economic management of existing resources, cause such facilities and equipment to be made available to Contractor for any Development and Production Operations, provided, however, that such Development and Production Operations shall not interfere with the ongoing operations in that area. The Ministry will then implement the process set out in Articles 50, 51, and 52 of the Hydrocarbons Law.

ARTICLE 6 CONDUCT OF PETROLEUM OPERATIONS

6.1 Obligations of Contractor

In accordance with generally accepted practice of the international petroleum industry and the Hydrocarbons Law, the Contractor shall provide all funds necessary for the conduct of Petroleum Operations in the Contract Area including the purchase or rental of all facilities, equipment, materials and other goods required for the performance of such Petroleum Operations. It shall also supply all technical and operational expertise, including the use of foreign and national personnel required for implementing Annual Work Programs. The Contractor shall be responsible for the preparation and implementation of all Annual Work Programs which shall be performed in accordance with this Contract, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

6.2 Joint Operating Agreement

Within forty-five (45) days following the Effective Date, the Contractor shall provide the Ministry with a draft of the Joint Operating Agreement which shall be based upon the current model form operating agreement from the Association of International Petroleum Negotiators (AIPN). The Joint Operating Agreement and all amendments thereto shall be subject to the prior approval of the Ministry. The identity of the Operator and any change thereto shall be subject to the prior approval of the Ministry in accordance with the Hydrocarbons Law. The National Company shall be appointed as the administrative operator under the Joint Operating Agreement.

6.3 Conduct of Petroleum Operations

The Contractor shall diligently conduct Petroleum Operations in accordance with this Contract, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

6.4 Maximum Efficient Production Rate

The Contractor and the Ministry shall agree on the Production programs before Production begins in any Field and establish at that time the Maximum Efficient Production Rate for such Field, and will determine the dates on which such levels will be reexamined and potentially revised.

6.5 Working Conditions

The Contractor shall provide acceptable working conditions and access to medical attention and nursing care for all of its local and international personnel and those of its subcontractors while undertaking Petroleum Operations. The Contractor shall also provide living accommodation for personnel based on offshore installations and an additional accommodation allowance in the remuneration of personnel based onshore.

6.6 Discovery of other Minerals

The Contractor shall promptly notify the Ministry of the discovery of any minerals or other substances in the Contract Area. If any Persons are granted a permit or license within the Contract Area for the exploration and exploitation of any minerals or substances other than Hydrocarbons, the Ministry shall take all reasonable measures to ensure that the operations of such Persons will not obstruct the Contractor's Petroleum Operations. The Contractor shall use all reasonable efforts to avoid any obstruction with such permit holders or licensees' operations.

6.7 Award of Contracts

The Contractor shall award all the contracts, in accordance with the Local Content Regulation enacted by the Ministry in the Ministerial Decree N.º 1/2014, of 26th of September 2014, to the best qualified subcontractor or to other Person, including the Contractor's affiliated Companies, on the basis of the cost and the capacity to comply with the contract's provisions, as long as the Contractor abides by the Article 23.1.

6.7.1 In all the Material Contracts, the Contractor shall:

- (a) call a bid for the contract.
- (b) give preference to the national companies the Contractor thinks that are qualified;
- (c) before awarding a Material Contract, notify and inform the Ministry about the intention of the Contractor to present an offer for such contract;
- (d) include the national companies that have been included in a list provided by the Ministry and that the Contractor regard as competent, in the list of bids for such Material Contract;
- (e) include in the list of bids, any qualified Person the Ministry suggests to be included;
- (f) finish the bid process within a reasonable period of time;
- (g) consider and analyze the submitted offers;
- (h) draft and send to the Ministry a competitive analysis of the offers submitted including the Contractor's recommendation in terms of the Person that will be awarded with the contract, the underlying reasons and the technical, commercial and contractual conditions to be agreed;

- (i) obtain the Ministry's approval, which will be regarded as awarded if there is no response to an approval application thirty (30) days after since the reception of the written application; and
- (j) Provide the Ministry with a final copy of the signed contract.

All the amendments or modifications that *per se* abide by the definition of the Material Contract shall require the prior approval of the Ministry, approval that will be regarded as awarded if there is if there is no response to an approval application thirty (30) days after since the reception of the written application.

6.7.2 Should the Contractor imports and/or use any service, material, equipment, consumables and other goods from a country other than Equatorial Guinea, aware of contravention of this Article or Article 23.1, or otherwise signs a contract aware of contravention of such Articles, their costs shall not be Petroleum Operational Costs and they shall not be recoverable costs by the Contractor.

6.8 Inspection of Petroleum Operations

6.8.1 All Petroleum Operations may be inspected and audited by the Ministry at such intervals as the Ministry deems necessary. The duly commissioned representatives of the Ministry shall have the right, among others, to monitor Petroleum Operations and inspect all equipment, facilities and materials relating to Petroleum Operations, provided that any such inspection shall not unduly delay or impede Petroleum Operations. The representatives of the Ministry inspecting and monitoring Petroleum Operations shall comply with the safety standards of the Contractor.

6.8.2 For the purposes of permitting the exercise of the above-mentioned rights, the Contractor shall provide reasonable assistance to the representatives of the Ministry, including transportation and accommodation, as set forth in Article 6.23.

6.8.3 All costs directly related to the technical inspection, verification and audit of Petroleum Operations or otherwise in connection with the exercise of the Ministry's rights under this Contract or the performance of the Contractor's obligations shall be borne by the Contractor and are recoverable as Petroleum Operations Costs in accordance with this Contract, including:

- (a) outbound and return travel expenses;
- (b) local transportation, as necessary, when there is no transportation available under Article 6.8.2;
- (c) accommodation, when such accommodation is necessary to perform the official duties and is not provided under Article 6.8.2; and
- (d) per diems, which shall be adjusted in accordance with such amounts assigned to the ranking of each agent of the Ministry as published in the general budget law of the State approved for such Calendar Year, applicable to all companies in the extraction sector of Hydrocarbons in Equatorial Guinea, as set out in Article 6.23 below.

All travel expenses in (a) and (b) and accommodations in (c) above shall be arranged by Contractor and Contractor shall pay directly to the service providers such costs. As a consequence of the payment of the per diems noted above in (d), Contractor shall not make any payments to or on behalf of any Government of Equatorial Guinea travelers in relation to meals or other incidental or miscellaneous costs incurred by such travelers during such travel, and all such costs shall be for the sole account of such travelers.

6.9 Provision of Information to Ministry

6.9.1 The Contractor shall keep the Ministry fully informed on the performance and status of Petroleum Operations at reasonable intervals and as required under this Contract and of any emergencies or accidents that may have occurred during such operations. Furthermore, the Contractor shall provide the Ministry with all documentation and information that is required to be provided under this Contract and the Hydrocarbons Law and as may otherwise be requested by the Ministry from time to time.

6.9.2 The Contractor shall keep the Ministry informed on a daily basis of the volumes of Hydrocarbons produced from the Contract Area.

6.10 Production of Energy for Own Use

The Contractor shall not produce any energy for its own use unless national production is insufficient or not reliable enough for the demands of the Contractor in its conduct of Petroleum Operations. This restriction does not preclude Contractor from having appropriate and customary back-up generators to provide energy in its conduct of Petroleum Operation. In such event, the energy produced may not be sold to any Person. However, the Contractor may utilize the amounts of Crude Oil and/or Natural Gas necessary for the production of power for use in its offshore facilities.

6.11 Standard of Equipment

The Contractor shall ensure that all equipment, plants, installations and materials used by it comply with the Hydrocarbons Law and generally accepted engineering standards, and that they are duly constructed and maintained in good condition.

6.12 Care of Contractor and the Environment

6.12.1 The Contractor shall take all prudent and necessary steps in accordance with generally accepted practice of the international petroleum industry, the Hydrocarbons Law and this Contract to:

- (a) prevent pollution and protect the environment and living resources;
- (b) ensure that any Hydrocarbons discovered or produced in the Contract Area are handled in a manner that is safe for the environment;
- (c) avoid causing damage to overlying, adjacent and/or underlying formations trapping Hydrocarbon reserves;

- (d) prevent the ingress of water via Wells into strata containing Hydrocarbon reservoirs;
- (e) avoid causing damage to overlying, adjacent and/or underlying aquifers;
- (f) ensure that Petroleum Operations are carried out in accordance with this Contract, the Hydrocarbons Law and all other laws of Equatorial Guinea;
- (g) undertake the precautions necessary for the protection of maritime transportation and the fishing industry and to avoid contamination of the ocean and rivers;
- (h) drill and exploit each Field in such a manner that the interests of Equatorial Guinea are protected; and
- (i) ensure prompt, fair and full compensation for injury to Persons or property caused by the effects of Petroleum Operations.

6.12.2 If the Contractor's actions result in any pollution or damage to the environment, any Person, living resources, property or otherwise, the Contractor shall immediately take all prudent and necessary measures to remedy such damages and effects thereof and/or any additional measures as may be directed by the Ministry. If the pollution or damage is caused as a result of the negligence or willful misconduct of the Contractor, its subcontractors or any Persons acting on its or their behalf all costs in relation thereof shall not be recoverable as a Petroleum Operations Cost. If the Contractor does not act promptly so as to control or clean-up any pollution or make good any damage caused, the Ministry may, after giving the Contractor reasonable notice in the circumstances, carry out the actions which are prudent or necessary hereunder and under Article 4.5 and all reasonable costs and expenses of such actions shall be borne by the Contractor and shall not be recoverable as a Petroleum Operations Cost.

6.12.3 If the Ministry determines that any works or installations built by the Contractor or any activity undertaken by the Contractor threatens the safety of any Persons or property or causes pollution or harm to the environment, the Ministry shall promptly advise the Contractor of its determination, and may require the Contractor to take all appropriate mitigating measures, consistent with generally accepted practice of the international petroleum industry, to repair any damage caused by the Contractor's conduct or activities. Furthermore, if the Ministry deems it necessary, it may demand that the Contractor suspend totally or partially the affected Petroleum Operations until the Contractor has taken the appropriate mitigating measures or repaired any damage.

6.12.4 The Contractor shall undertake comprehensive environmental impact assessment studies prior to, during and after major drilling operations. The Contractor shall assume the costs of these studies and such costs shall be recoverable. This requirement is mandatory and the first study shall be presented to the Ministry before the start of the drilling of the first Well in the Contract Area. However, an environmental impact assessment must also be completed prior to undertaking any seismic work in any areas of particular environmental sensitivity specified by the State.

6.13 Re-injection and Flaring of Natural Gas

The Natural Gas that the Contractor does not develop in accordance with this Contract and the Hydrocarbons Law or use in its own operations within the Contract Area shall be re-injected into the structure of the subsoil, and all costs of such reinjection shall be recoverable as a Petroleum Operations Cost. Notwithstanding the foregoing, the Ministry may authorize the combustion of Natural Gas for short periods of time in accordance with the Hydrocarbons Law. The Contractor shall compensate the State for the value of the gas volumes flared without authorization. All such Natural Gas not used in Petroleum Operations by the Contractor or not developed in accordance with this Contract and the Hydrocarbons Law shall remain the sole property of the State.

6.14 Design and Identification of Wells

6.14.1 The Contractor shall conform to the practices generally accepted in the international petroleum industry in the design and drilling of Wells, including their casing and cementation.

6.14.2 Each Well shall be identified by a name or number agreed with the Ministry, which shall be indicated on all maps, plans and other similar records produced by or on behalf of the Contractor.

6.15 Vertical Projection Wells

No Well may be drilled to an objective which is outside the vertical projection of the boundaries of the Contract Area. Controlled direction Wells drilled within the Contract Area from adjacent terrain not covered by this Contract will be considered for all purposes of this Contract as Wells drilled from territory included in the Contract Area, and whose drilling may only be undertaken with the prior approval of the Ministry, and on such terms and conditions as the Ministry may establish. Nothing in this Article has the intention or should be interpreted as a grant of a right of lease, license, servitude or any other right that the Contractor must obtain from the Ministry or other Persons.

6.16 Notification of Commencement of Drilling

The Contractor shall notify the Ministry at least ten (10) Business Days in advance of the commencement of any drilling of any Well set out in an approved Annual Work Program and corresponding Annual Budget or before the resumption of works on any Well whose works have been suspended for more than six (6) months.

6.17 Construction of Facilities

The Contractor shall build and maintain all facilities necessary for the proper performance of this Contract and the conduct of Petroleum Operations. In order to occupy land necessary for the exercise of its rights and obligations under this Contract, the Contractor shall request the authorization of the Ministry and/or other applicable governmental authorities, which authorization shall be subject to and granted in accordance with Article 6.19, the Hydrocarbons Law and other applicable laws of Equatorial Guinea. The Contractor shall repair any and all damage caused by such circumstances.

6.18 Occupation of Land

6.18.1 In order to carry out Petroleum Operations, the Contractor shall have the right to:

- (a) subject to Articles 6.17 and 6.18.2, occupy the necessary land for the performance of Petroleum Operations and associated activities as set out in paragraphs (b) and (c) below, including lodging for personnel;
- (b) undertake or procure the undertaking of any infrastructure work necessary in normal technical and economic conditions for the carrying out of Petroleum Operations and associated activities such as transport, storage of equipment, materials and extracted substances, establishment of telecommunications equipment and communication lines necessary for the conduct of Petroleum Operations at installations located both offshore and onshore;
- (c) undertake or ensure the undertaking of works necessary for the supply of water to personnel and installation works in accordance with water supply regulations; and
- (d) extract and use or ensure the extraction and utilization of resources (other than Hydrocarbons) from the subsoil necessary for the activities stipulated in paragraphs (a), (b) and (c) above in accordance with relevant regulations.

6.18.2 Occupation of land as mentioned in Article 6.18.1 shall become effective after the Ministry or other applicable governmental authority approves the request submitted by the Contractor indicating and detailing the location of such land and how the Contractor plans to use it, taking the following into consideration:

- (a) if the land belongs to the State, the State shall grant it to the Contractor for occupation and to build its fixed or temporary facilities during the term of this Contract for a fee and on terms to be agreed and such amount shall be considered a Petroleum Operations Cost;
- (b) if the land is private property by traditional or local right according to the Property Registry, then (i) if the occupation is merely temporary or transitory, or for right of way, the Contractor shall reach an agreement with the relevant property owner and the property owner shall reach an agreement with any occupant, tenant or possessor, with regard to the rental to be paid, and the resulting amounts shall be considered recoverable Petroleum Operations Costs, or (ii) if the occupation is permanent, the relevant owner and the Contractor shall reach an agreement regarding matters related to the property's acquisition and such amounts shall be considered Petroleum Operations Costs;
- (c) if the Contractor and the relevant property owner or occupant, tenant or possessor do not reach an agreement regarding the matters mentioned in paragraph (b) above, the Ministry shall act as a mediator between them and in the event that such mediation does not produce a resolution of the case the dispute shall be resolved by the courts of Equatorial Guinea unless recourse is had to the procedure described in paragraph (d) below;
- (d) the State may proceed to expropriate the land, subject to the prior publication of a decree of compulsory expropriation followed by a fair and reasonable valuation

of the land concerned by an expert valuator. In such event the Contractor shall compensate the expropriated property owner in accordance with the value determined by such expert valuator if the State has not done so; such amounts shall be considered recoverable Petroleum Operations Costs;

- (e) the relinquishment, in whole or in part, of the Contract Area, will not affect the Contractor's rights under Article 6.18.1 to carry out building works and construction of installations, provided that such works and installations are directly related to other activities of the Contractor in the remainder of the Contract Area, as in the case of partial relinquishment, and covered by other production sharing contracts.

6.19 Residence of Personnel

There shall be no restrictions imposed on the entry, residence, free circulation, employment and repatriation of the personnel of the Contractor and its subcontractors, the family of such personnel, or the personal effects of such personnel and his or her family, provided that the Contractor and its subcontractors comply with all applicable laws including employment and social legislation of Equatorial Guinea. The State agrees to grant in a timely manner the entry, work, or residence permits or other permits or authorizations that, in accordance with the Laws of Equatorial Guinea, may be required by the personnel of the Contractor, the Operator or any subcontractor.

6.20 Assistance of Ministry

The Ministry shall assist the Contractor and its subcontractors in obtaining all administrative authorizations and licenses as may be reasonably necessary for the proper execution of Petroleum Operations under this Contract.

6.21 Opening of Branch Office

The Contractor shall, to the extent that it has not already done so, open a representative branch office in Equatorial Guinea within six (6) months following the Effective Date, until such time as an Equatorial Guinean incorporated affiliate is established pursuant to Article 17.1. Such branch office shall always be staffed by at least one (1) representative with sufficient authority to make decisions on behalf of the Contractor.

6.22 Premises

Upon the first Commercial Discovery, the Contractor shall, to the extent that it has not already done so, construct a prestigious building for its offices in Equatorial Guinea using modern and permanent materials and of an appropriate size and design as shall be approved by the Ministry. All costs related to such construction shall be recoverable as Petroleum Operation Costs in accordance with this Contract. Once such construction costs have been recovered by the Contractor, such property shall be owned solely by the State and the Contractor shall pay rent to the State at a price and on terms to be negotiated and such rent shall be considered recoverable Petroleum Operations Costs by the Contractor.

6.23 State Expenses

If, in connection with Contractor's performance of its obligations under this Contract or for the negotiation of this Contract prior to the Effective Date, or if circumstances emerged regarding this Contract other than as provided in this Section 6.23 of this Contract, any employee or official of the State, including the Ministry's personnel and GEPetrol, is required to travel to any location outside the Republic of Equatorial Guinea or as set out in Section 6.8.3 above, and the State agrees, through the Ministry, to permit such employee or official to travel for such purposes, Contractor agrees, subject to the prior mutual agreement of the Parties to such travel, to pay the following amounts to the Ministry, on behalf of the State, for the travel expenses related to the participation of such employees or officials:

- (a) the actual expenses incurred for travel to the location outside of the Republic of Equatorial Guinea and for travel to return to the Republic of Equatorial Guinea and lodging of such employees or officials at the foreign location, and
- (b) to pay to the Ministry, on behalf of the State, for the *per diem* as provided in the 2017 Budget Law. amount equal to the following for each day such employee or official is out of the Republic of Equatorial Guinea in accordance with the request of CONTRACTOR;

As requested by the Ministry, for travel approved by Company in advance, Company agrees

- A. As a consequence of the payment of the per diems noted above, Company shall not make any payments to or on behalf of any Government of Equatorial Guinea travelers in relation to meals or other incidental or miscellaneous costs incurred by such travelers during such travel, and all such costs shall be for the sole account of such travelers.
- B. The Parties agree that all payments made pursuant to this Section 6.23 by Company to the Ministry, on behalf of the State, and to the provider of services, shall be recoverable expenses under the Contract as Petroleum Operations Costs. The Parties further agree that in relation to all payments made pursuant to this Section 6.23, Company is neither seeking nor shall it gain any business or business advantage from the Ministry or the Government of the Republic of Equatorial Guinea as a result of making such payments.

The amounts contemplated pursuant to this Section 6.23 shall be payable by Contractor by wire transfer or check made out to the Ministry in the resulting total amount. Notwithstanding the foregoing, with respect to the actual travel and lodging expenses provided by Section 6.23(a), Contractor may choose to pay such amounts directly to the provider of such services for travel and lodging. The sums paid by Contractor pursuant to this Section 6.23 will be included as cost recoverable Petroleum Operations Costs. As a consequence of the payment of the amounts noted above, Contractor shall not make any payments to or on behalf of any Government employee or official in relation to meals or other incidental or miscellaneous costs incurred by such employee or official during such travel, and all such costs shall be for the sole account of such employee or official.

ARTICLE 7
ROYAL TIES, RECOVERY OF PETROLEUM OPERATIONS COSTS,
AND DISTRIBUTION OF PRODUCTION

7.1 Royalties

7.1.1 The Contractor shall pay Royalties to the State from the first day of Production based on the daily Total Disposable Production from a Development and Production Area. The calculation shall be determined according to the following table applicable for each tranche:

Daily Total Disposable Production	Percentage of Royalties
0 to 40,000	13%
40,001 to 80,000	14%
80,001 to 120,000	14.5%
120,001 to 140,000	15%
Over 140,000	16%

7.1.2 The percentage corresponding to the level of Production shall be applied directly. Thus, for example: for a Production level of **ninety thousand (90,000)** Barrels per day, **fourteen point five percent (14.5%)** would be applied and the Royalty would be thirteen thousand fifty (**13,050**) Barrels.

7.2 Cost Recovery Oil

7.2.1 After deducting Royalties, the Contractor shall be entitled to up to **seventy percent (70%)** of the Total Disposable Production remaining in any Calendar Year for recovery of its Petroleum Operations Costs (**Cost Recovery Oil**).

7.2.2 The value of the portion of Total Disposable Production assigned to the Contractor's Petroleum Operations Costs recovered will be determined in accordance with Article 10.

7.2.3 If, during any Calendar Year, the Petroleum Operations Costs not yet recovered by the Contractor in accordance with this Contract exceed the value of the maximum amount of available Cost Recovery Oil, the portion of Petroleum Operations Costs not recovered in the said Year will be carried forward to the following Calendar Year for recovery purposes.

7.3 Net Crude Oil

The quantity of Total Disposable Production remaining every Year after the deduction of Royalties and Cost Recovery Oil will hereafter be referred to as **Net Crude Oil**, which will be shared between the State and the Contractor in the following proportions:

Accumulated Total Production (Million Barrels)	Entitlement of the State (%)	Entitlement of the Contractor (%)
0 — 70	20	80
70 — 140	30	70
140 — 200	35	65
200 — 400	40	60
over 400	50	50

7.4 Delivery of State's Entitlement

The State's share of Crude Oil to which it is entitled pursuant to Articles 7.1 and 7.3 shall be delivered to and accepted by the State or the Person appointed by it at the Delivery Point. The Contractor shall be free from all responsibility with respect to such Crude Oil from the time it has been delivered. However, should the State so require, the Contractor shall be obliged to purchase all or part of the State's share of Total Disposable Production, subject to the provisions of Article 7.5.

7.5 Price Obtained by Contractor

7.5.1 If, pursuant to Article 7.4, the State requires the Contractor to purchase its share of Crude Oil, the State shall advise the Contractor of its next scheduled shipment at least three (3) months in advance, and the Ministry and the Contractor shall come to a mutual agreement as to the terms and conditions of such sale and purchase. In the event that three (3) months advance notice is not given, or they do not reach an agreement as to the terms and conditions of the sale and purchase, the Contractor shall not be obliged to purchase said Crude Oil.

7.5.2 The Ministry shall be entitled to compare the price for its Crude Oil obtained from the Contractor with similar market quotations. In the event that it is shown that the price obtained from the Contractor differs substantially from the quotations in similar markets, the Ministry shall have the right to evaluate the Contractor's sales and marketing operations and, if justified, cancel any sales agreement between the State and the Contractor, without prejudice to any claim that the State may have against the Contractor with respect to the matters under dispute.

7.6 Export of Entitlement

Subject to Article 12 and the Hydrocarbons Law, each Party comprising the Contractor has the right to take, receive and freely export its share of Net Crude Oil and Cost Recovery Oil, provided it uses the services of an Equatoguinean Crude Oil maritime transport company, an international company associated with the National Company or any other local business that is able to provide the services under conditions that are internationally competitive in terms of price, quality, terms of payment and availability in accordance with Article 23.1. The Contractor will have the option to hire a company of its choice, should no local company be available to deliver such service.

7.7 Title to Contractor's Entitlement

Title to the Contractor's portion: of Net Crude Oil and Cost Recovery Oil shall pass to the Contractor at the Delivery Point.

ARTICLE 8 PARTICIPATION INTERESTS

8.1 Liability for Petroleum Operations Costs

Subject to Article 8.2, the Parties comprising the Contractor shall fund, bear and pay all costs and expenses for Petroleum Operations under this Contract and the Joint Operating Agreement in the proportions set forth in Article 1.3. Each of the Parties comprising the Contractor shall be represented on the operating committee under the JOA and shall have voting rights as provided therein.

8.2 Participation Interest of the National Company

8.2.1 The National Company's Participation Interest will be carried and paid for in full by the other Parties comprising the Contractor (other than the National Company) in proportion to their respective Participation Interests (other than the National Company's) through the Exploration Period. At approval of the Development and Production Plan, the National Company shall convert its carried Participation Interest into a full working Participation Interest in accordance with the Hydrocarbons Law. From that point on, the National Company shall be responsible for all its costs in respect of the area covered by the approved Development and Production Plan. For the avoidance of doubt, the National Company's Participation Interest in respect of the remainder of the Contract Area shall continue to be carried and paid for by the Parties comprising the Contractor (other than the National Company) in proportion to their respective Participation Interests (not including the National Company's) until such time as the National Company elects to convert its carried interest into a full working interest.

8.2.2 The costs, expenditures and obligations, including the costs incurred pursuant to Article 6.23, incurred by the Parties comprising the Contractor (other than the National Company) in relation to the National Company's carried Participation Interest shall be recoverable by the Parties comprising the Contractor (other than the National Company) in accordance with the provisions of this Contract and the Hydrocarbons Law.

8.2.3 The Parties comprising the Contractor (other than the National Company) shall recover the costs and expenditures in relation to the National Company's carried Participation Interest from fifty percent (50%) of the Hydrocarbons corresponding to the National Company's total entitlement in accordance with Articles 7.2 and 7.3.

ARTICLE 9 TAXATION

9.1 Payment of Taxes

Except as otherwise provided in this Contract, the Contractor, its subcontractors and affiliates and their respective employees, agents, consultants and other personnel shall be subject to the Tax Law, Customs Law and all regulations passed pursuant thereto, as

well as CEMAC (Central African Economic and Monetary Community) and fiscal and customs laws of Equatorial Guinea.

9.2 Audit Rights

The provisions of Article 16 shall apply to Income Tax, Royalty payments and to all other obligations under this Contract.

ARTICLE 10 VALUATION OF CRUDE OIL

10.1 Market Price

10.1.1 The unit selling price of Crude Oil under this Contract shall be the FOB Market Price at the Delivery Point, expressed in Dollars per Barrel and calculated in accordance with this Article 10.1. A Market Price shall be established for each type of Crude Oil or Crude Oil blend in accordance with this Article 10.1.

10.1.2 The Market Price applicable to all liftings of Crude Oil sold to third Parties under market conditions during one Quarter shall be the agreed selling price, adjusted, as necessary, to reflect differentials in quality, gravity, quantity, delivery conditions and terms of payment.

10.1.3 Before the period in which a price for Crude Oil is quoted by Platts for the Field from where Crude Oil is sold, the Market Price applicable to all liftings of Crude Oil sold to a Contractor's Affiliate and later sold to a third party, will be the value received under the Contract under market conditions with the said third party, adjusted, as necessary, to reflect differentials in quality, gravity, quantity, delivery conditions and terms of payment. Should there be no price quoted by Platts for the produced Crude Oil, the Contractor and the Ministry shall meet to establish a differential related to a crude marker quoted by Platts to reflect the differential in terms of quality and the commercial differentials. The meeting shall be held six months after the introduction in the market; all the Persons comprising the Contractor and participating in the marketing of Crude Oil during that period of six months, shall attend such meetings with the Ministry.

10.1.4 The Market Price applicable to all liftings of Crude Oil sold to a Contractor's Affiliate after having set a quoted price during a Quarter will be calculated by summing up the average of high and low quotes for Dated Brent according to the data published in the five (5) consecutive issues of the Platts Bulletin for the Crude Oil Market (including all corrections) posterior to the lifting informed date and the differential average between the sold Crude Oil and the Dated Brent one as published in the Platts Crude for the period starting on the fifteenth day (15th) day and ends on the last day of the Month of the Load Commercialization (inclusive).

This is given by the following formula:

Price = A+ B, where:

A= average o the high and low quotes of Brent Dating according to the according to the data published in the five (5) consecutive issues of the Platts Bulletin for the

Crude Oil Market (including all corrections) posterior to the lifting informed date.

B= differential average between the quality of the sold Crude Oil and the Dated Brent as published in the Plaits Crude for the period starting on the fifteenth day (15th) day and ends on the last day of the Month of the Load Commercialization (inclusive).

Should the qualities of the Crude Oil produced from the Field not correspond, within tolerable bounds, a "C" adjustment will be created to bear in mind the differentials associated with the qualities that do not coincide with A and B. In such case, the Market Price formula will be modified as follows:

$$\text{Price} = A + B + C$$

Should the used Crude Oil stop being quoted to calculate the Market Price, the Ministry and the Contractor shall agree upon the Crude Oil which most closely resembles the Crude Oil whose prices are no longer quoted, in order to calculate the Market Price.

10.1.5 The Market Price applicable to all liftings of Crude Oil during one Quarter shall be equivalent to the weighted average of the prices obtained by the Parties comprising the Contractor, with the exception of the National Company, for all Crude Oil sold and valued in accordance with Articles 10.1.2, 10.1.3 and 10.1.4.

10.1.6 The following transactions shall be excluded from the calculation of the Market Price:

- (a) Sales between Crude Oil providers and the national market; and
- (b) Sales in which the compensation is different from a payment in a freely convertible currency, and sales totally or partially conducted due to reasons different from common commercial incentives for Crude Oil Sales in the international market (such as exchange contracts).

10.2 Disagreement of Market Price

10.2.1 The Contractor and the Ministry shall agree the Market Price in accordance with this Article 10; in the event that they are unable to agree on any matter concerning the Market Price of Crude Oil, either the Contractor or the Ministry may serve on the other a dispute notice. Within seven (7) days of the date of the dispute notice the Ministry shall establish a committee of two (2) Persons of which the Minister of Mines, Industry and Energy or his delegate will be the President and the other committee member will be a representative designated by the Contractor to represent it. The committee must meet and make a decision resolving any dispute under this Article 10 within thirty (30) days of the date of the dispute notice. The committee shall unanimously decide the dispute.

10.2.2 In the event a unanimous decision is not reached by the committee within the aforementioned thirty (30) day period, the dispute shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding on the Parties. The expert shall determine the Market

Price in accordance with the provisions of this Article 10 within twenty (20) days from the date of his appointment. The determination of the expert shall be final and binding upon the Parties, and, if should it not be complied with pursuant to Equatorial Guinea legislation, either Parties may refer the matter to arbitration under Article 26 to reach a final and binding decision. Unless otherwise determined by the expert, the costs and expenses of such expert shall be shared proportionately by the Parties on a per capita basis and the Contractor's share shall not be cost recoverable.

10.2.3 Pending the determination of the Market Price for a Quarter, the Market Price provisionally applicable to a Quarter shall be the Market Price of the preceding Quarter. Any necessary adjustment shall be made no later than thirty (30) days after the determination of the Market Price for the Quarter in question.

10.3 Payment Deadline to the State of the Market Price should the Contractor Commercialize the State Crude Oil.

According to Article 7.5, when the Contractor commercializes Crude Oil belonging to the State in favour of the State and the payment deadline has not been individually set under an Oil Commercialization Agreement with the State, within ten (10) days following every lifting, the Contractor shall provide the Ministry with full details relating to the prices resulting from the sale of each State Crude Oil lifting and Contractor shall forward the amounts resulting from such sales to the State within fourteen (14) days of receipt of such funds.

10.4 Audit of Market Price

The Ministry shall be entitled to audit and verify that the price obtained by the Contractor for each shipment of Crude Oil has been the price determined in accordance with this Contract. The Ministry has the right, during a period of two (2) Years from the transaction date, to assess the marketing practices of the Contractor and require the Contractor to pay the State for the difference between the price actually obtained and the Market Price determined in accordance with this Article 10. The disagreements with regard to the Market Price will be resolved in accordance with Article 10.2.2.

ARTICLE 11 BONUSES AND SURFACE RENTAL

11.1 Signature Bonus

The Contractor shall pay to the State a signature bonus of **two million Dollars (\$2,000,000)** within thirty (30) days of the Effective Date.

11.2 Discovery Bonus

On the date the Contractor notifies the Ministry for the first time that it deems a Discovery to be a Commercial Discovery in compliance with the provisions of Article 5.4, the Contractor shall pay to the State the sum of two million Dollars (\$2,000,000).

11.3 Production Bonuses

The Contractor shall pay to the State the following sums as Production bonuses:

- (a) on the date of start Production of Crude Oil from a Development and Production Area, **two million** Dollars (\$2,000,000);
- (b) **two million** Dollars (\$2,000,000) after daily Production from a Development and Production Area first averages **20,000** Barrels per day for a period of sixty (60) consecutive days;
- (c) **three million** Dollars (\$3,000,000) after daily Production from a Development and Production Area first averages **40,000** Barrels per day for a period of sixty (60) consecutive days;
- (d) **five million** Dollars (**\$5,000,000**) after daily Production from a Development and Production Area first averages **60,000** Barrels per day for a period of sixty (60) consecutive days; and
- (e) **six million** Dollars (\$6,000,000) after daily Production from a Development and Production Area first averages **120,000** Barrels per day for a period of sixty (60) consecutive days.

Such payments shall be made within thirty (30) days of the date that the liability accrues.

11.4 Surface Rentals

11.4.1 The Contractor shall pay to the State the following annual surface rentals:

- (a) **zero point twenty five** Dollars (\$0.25) per hectare of the Contract Area annually, for each Calendar Year or part thereof, during the Initial Exploration Period, the Extension Periods or any extension thereof; or
- (b) **two point five** Dollars (\$2.50) per hectare for each Development and Production Area, annually for each Calendar Year or part thereof, during the term of the relevant Development and Production period.

11.4.2 For the Year in which this Contract is signed, the surface rental set forth in Article 11.4.1(a) shall be prorated from the Effective Date through to 31 December of such Year and shall be paid within thirty (30) days after the Effective Date. For succeeding Years the surface rentals set forth in Article 11.4.1(a) and (b) shall be paid in advance not less than thirty (30) days before the beginning of each Calendar Year.

For the Calendar Year in which any Development and Production Area is granted the surface rental set forth in Article 11.4.1(a) and (b) shall be prorated from the date in which such Development and Production Plan is approved up to 31 December of said Calendar Year, and the additional sum shall be paid within thirty (30) days after the approval of the Development and Production Area. For succeeding Calendar Years the surface rental set forth in Article 11.4.1(b) shall be paid within thirty (30) calendar days after the beginning of each Calendar Year.

11.4.3 Surface rentals shall be calculated based on the surface of the Contract Area and, where applicable, of a Development and Production Area occupied by the Contractor on the date of payment of such surface rentals. For the avoidance of doubt, this shall exclude any relinquished areas. In the event of relinquishments made during a Calendar Year, the Contractor shall have no right to be reimbursed for the surface rentals already paid.

ARTICLE 12 OBLIGATION TO SUPPLY DOMESTIC MARKET

12.1 Obligation to Supply

In accordance with the Hydrocarbons Law, the Contractor shall meet as a priority the needs of domestic Hydrocarbon consumption, in Equatorial Guinea. For this purpose, and in accordance with the provisions of Articles 86 and 87 of the Hydrocarbons Law, if the State so requests, the Parties comprising the Contractor (other than the National Company, together with all other contractors which produce Net Crude Oil and/or Net Natural Gas, shall sell to the State, at the Delivery Point at international market price at terms to be agreed, a pro rata portion of its Net Crude Oil and/or Net Natural Gas for internal consumption in the country, provided that Contractor's obligation to supply Net Crude Oil and/or Net Natural Gas for purposes of meeting the domestic consumption needs shall not exceed the total of Contractor's entitlement of Gross Production of Net Crude Oil and/or Net Natural Gas after deduction of the State's Royalty under this Contract.

12.2 Notification from Ministry

No later than the first day of October of each Calendar Year, the Ministry shall notify the Parties comprising the Contractor (other than the National Company) of the quantities of Crude Oil and/or Natural Gas which it desires to purchase under this Article 12 for the subsequent Calendar Year. The Crude Oil and/or Natural Gas shall be delivered to the State or to the beneficiary designated by the State during such Calendar Year according to procedures to be agreed between the Ministry and the Contractor.

ARTICLE 13 NATURAL GAS

13.1 Unassociated Natural Gas

13.1.1 In the event of an Unassociated Natural Gas Discovery, the Contractor shall comply with the provisions of Article 5.2. However, if the Appraisal work program presented by the Contractor following the Discovery of Unassociated Natural Gas has a duration exceeding that of the Initial Exploration Period or any of its extensions, the Contractor may request from the Ministry an extension of the relevant Exploration Period with respect to the Appraisal Area related to such Discovery for a period of up to four (4) Years starting from the expiry of the Initial Exploration Period or any of its Extension Periods, as appropriate. The Contractor shall request the aforementioned extension at least sixty (60) days prior to the expiry of the relevant period.

13.1.2 If the Contractor considers that the Unassociated Natural Gas Discovery does not warrant Appraisal or further Appraisal, in conformity with the provisions of Article 5.12, the

Ministry may, with ninety (90) days' advance notice, require the Contractor to relinquish all of its rights over the Appraisal Area encompassing such Discovery.

13.1.3 In the same manner, if after completion of the Appraisal work, the Contractor considers that the Unassociated Natural Gas Discovery is not commercial, the Ministry may, with ninety (90) days' advance notice, require the Contractor to relinquish all of its rights over the Appraisal Area encompassing such Discovery.

13.1.4 In both the above cases the Contractor shall be deemed to have waived all its rights to the Hydrocarbons produced from such Unassociated Natural Gas Discovery, and the State may then carry out, or cause to be carried out, all the Petroleum Operations relating to that Discovery, without compensation or indemnification to the Contractor, provided, however, that such work shall not prejudice the performance of other Petroleum Operations of the Contractor. The Ministry may request that the Contractor undertake all continuing operations for a fee and on terms to be agreed between the Ministry and the Contractor.

13.2 Associated Natural Gas

13.2.1 In the event that a Discovery of Crude Oil is considered to be a Commercial Discovery, the Contractor shall state in the report referred to in Article 5.3 whether it considers that the Production of Associated Natural Gas is likely to exceed the quantities necessary for the requirements of Petroleum Operations relating to the Production of Crude Oil (including re-injection operations), and whether it considers that such excess is capable of being produced in commercial quantities. In the event the Contractor has informed the Ministry of such an excess, the Ministry and the Contractor shall jointly assess the possible markets and uses for such excess of Associated Natural Gas, both on the local market and for export (including the possibility of joint marketing of their shares of Production of that excess of Associated Natural Gas in the event such excess would not otherwise be commercially exploitable), together with the means necessary for its marketing.

13.2.2 In the event the Ministry and the Contractor should decide that the Development of the excess Associated Natural Gas is justified, or in the event the Contractor should wish to develop and produce such excess, the Contractor shall indicate in the Development and Production Plan the additional facilities necessary for the Development and Production of such excess and its estimate of the costs related thereto. The Contractor shall then proceed with the Development and Production of such excess in accordance with the Development and Production Plan submitted and approved by the Ministry under Article 5.5. A similar procedure shall be applicable if the sale or marketing of Associated Natural Gas is agreed during the Production of a Field.

13.2.3 In the event the Contractor does not consider the exploitation of the excess Associated Natural Gas is justified and if the State at any time wishes to utilize it, the Ministry shall notify the Contractor of the State's wish, in which event:

- (a) the Contractor shall put at the disposal of the State free of charge the Crude Oil and Associated Natural Gas separation facilities for all or part of such excess that the State wishes to utilize;

- (b) the State shall be responsible for the gathering, treatment, compression and transportation of such excess Associated Natural Gas from the receiving point at the Contractor's facilities and for bearing any additional costs and liabilities related thereto; and
- (c) the construction of the facilities necessary for the operations referred to in paragraph (b) above, together with the recovery of that excess by the State shall be carried out in accordance with generally accepted practice of the international petroleum industry.

13.2.4 In no event shall the Operations carried out by the State in relation to such Associated Natural Gas interfere with Petroleum Operations of the Contractor.

13.2.5 Any excess Associated Natural Gas not utilized in accordance with Articles 13.2.1, 13.2.2 and 13.2.3 shall be re-injected by the Contractor in accordance with Article 6.14. Flaring will be permitted only in accordance with the Hydrocarbons Law and is subject to the approval of the Ministry. The Contractor shall be permitted to flare Associated Natural Gas without the approval of the Ministry in the event of an emergency, provided that every effort is made to diminish and extinguish such flaring of Natural Gas as soon as possible. The Ministry has the right to offtake, free of charge, at the wellhead or gas oil separator all Natural Gas that would otherwise be re-injected or flared by the Contractor.

13.3 Provisions Common to Associated and Unassociated Natural Gas

13.3.1 The Contractor shall dispose of its share of the Production of Natural Gas in accordance with this Contract and the Hydrocarbons Law. The provisions of this Contract applicable to Crude Oil shall apply *mutatis mutandis* to Natural Gas unless otherwise specified herein.

13.3.2 The selling price for all Natural Gas to be sold in the domestic market shall be set by the Ministry in accordance with the Hydrocarbons Law. The selling price for all Natural Gas to be sold outside of the domestic market shall be as agreed between the Ministry and the Contractor. The Ministry and Contractor shall proceed in good faith to negotiate a gas sales agreement, if required.

13.3.3 For the purposes of Articles 7.3 and 11.3, the quantities of available Natural Gas after deduction of the quantities re-injected, flared or necessary for the conduct of Petroleum Operations shall be expressed in a number of Barrels of Crude Oil on a BTU equivalent energy content basis adjusted monthly by a commercially appropriate factor relating the price of Natural Gas with the price of Crude Oil in terms of the provisions of Article 10.3, unless otherwise agreed between the Ministry and the Contractor.

13.3.4 The provisions of Article 7.2 in respect of cost recovery shall apply *mutatis mutandis* to the Production of Natural Gas.

13.3.5 The quantity of Natural Gas produced and saved from the Contract Area which remains after the Contractor has taken the portion for the recovery of Petroleum Operations Costs pursuant to Article 13.3.4 shall be referred to as **Net Natural Gas**.

13.3.6 Subject to the Hydrocarbons Law, the Ministry and the Contractor hereby agree that, in the case of Natural Gas Production, they shall reach separate agreements and arrangements with respect to the sale and marketing of Natural Gas.

ARTICLE 14 CUSTOMS REGULATIONS

14.1 Importation of Goods, etcetera

14.1.1 In accordance with the stipulations of Articles 63 and 64 of the Hydrocarbons Law, the Contractor shall be permitted to import into Equatorial Guinea all the goods, materials, machinery, equipment and consumer goods directly necessary to properly carry out Petroleum Operations in its own name or in the name of its sub-contractors or other Persons acting on its or their behalf.

14.1.2 For the purpose of this Contract, the Contractor shall benefit from the following advantages:

- (a) All materials, products, machinery, equipment and tools necessary for Petroleum Operations, provided that these goods, which are exclusively destined and actually dedicated directly to Petroleum Operations and that are destined to be re-exported at the end of their use, will be treated as imported under the conditions stipulated in the Customs Code, the importation in compliance with the regulations of Temporary Admission (TA) or Temporary Imports (TI), either normal or special, whichever is the case for the Contractor, for its sub-contractors and Persons acting on its or their behalf, of all materials, products, machinery, equipment and tools necessary for Petroleum Operations; and
- (b) Admission with exemption from any tax and/or duty of all materials, products, machinery, equipment and tools totally used or consumed in Equatorial Guinea, exclusively and effectively devoted to Hydrocarbon prospecting, Exploration, Development, and Production Operations subject to this Contract. This exemption applies to imports directly made by the Contractor, its subcontractors and Persons acting on its behalf, on condition that a certificate of end use is issued.

14.1.3 Apart from the exemptions established in the above paragraphs of this Article 14 and the items referred to in Article 14.1.4, which are waivers that may be granted by the Government according to the law, all goods, materials, products, machinery and equipment imported or exported by the Contractor shall be subject to taxes and/or duties, in accordance with the customs legislation in force in Equatorial Guinea.

14.1.4 The Contractor shall follow the procedures to obtain such waivers, according to the Decree 134/2015 of 2nd of November 2015. The Government shall grant those waivers in accordance with the law to import all goods, materials, machinery, equipment and consumer goods directly needed to implement such Petroleum Operations on behalf of the Contractor or on behalf of its subcontractors or other Persons acting on behalf of the Contractor or its subcontractors in such a way that the import of these items be free and exempt from all customs duties, taxes and fees different from charges resulting from the delivery of the services needed to comply with customs legislation.

14.2 Oil Export Rights

Subject to Article 12, the Contractor, its purchasers and transporters will have the right to export and at any time the quantities of Cost Recovery Oil and Net Crude Oil belonging to the Contractor from the Delivery Point selected for this purpose free of taxes and/or duties and fees different from charges resulting from the delivery of the services needed to comply with customs legislation.

14.3 Export of Goods and Materials that have not been transferred to the State

In compliance with the customs obligations as set out in this Contract and regulations currently in force, the Contractor, its subcontractors and Persons acting on its or their behalf may export or re-export, free of taxes, import duties and fees different from charges resulting from the delivery of the services needed to comply with customs legislation, goods imported within the framework of this Contract when they are no longer necessary for Petroleum Operations, provided that their ownership has not been transferred to the State in accordance with the terms of this Contract. However, all goods not subject to rental, which from a financial and accounting position are already cost-recovered, will not be re-exported under any customs regime.

14.4 Customs Documentation

All imports, exports and re-exports in the framework of this Contract shall be subject to the formal procedures required by customs authorities pertaining to documentation, except in the case of an emergency requiring urgent action, in which Contractor shall submit all required documentation as soon as it reasonably can, but not later than ten (10) days after the arrival of the goods in Equatorial Guinea.

14.5 Exclusion of Penalties and Fines related to Petroleum Operations Costs

Should the Contractor or their subcontractors, representatives or agents be considered liable for the payment of fines, penalties or any other legal duties related to any non-compliance with the laws related to the use and enjoyment by the Contractor of the benefits described in Article 14, such fines, penalties or other legal duties shall be excluded from the Petroleum Operational Costs of the Contractor.

14.6 Imports and Exports by Foreign Personnel

Subject to Article 14.5, the foreign personnel appointed to work in Equatorial Guinea on behalf of the Contractor or its subcontractors and their families, shall be permitted to import their personal belongings and household articles in bulk shipments free of any kind of customs duties, taxes or fees different from charges resulting from the delivery of the services needed to comply with customs legislation within the first year as from their initial entrance in Equatorial Guinea and, then, every two years. Any shipment for subsequent resale shall not be considered as personal belongings. The personal belongings and household articles that have been exempt from import duties and fees shall also be exempt from export duties and fees once the subsequent export has taken place.

ARTICLE 15
FOREIGN CURRENCY

15.1 Exchange Control Laws

The Contractor and its subcontractors and all Persons acting on its or their behalf must comply with all applicable exchange control laws of Equatorial Guinea. However, as long as they shall have met their respective payment and tax obligations under this Contract and the laws of Equatorial Guinea, they shall benefit, during the term of this Contract, from the following rights regarding Petroleum Operations:

- (a) to retain or dispose of any proceeds outside of Equatorial Guinea including any proceeds from the sale of its or their share of Hydrocarbons;
- (b) to pay foreign subcontractors and expatriate employees of the Contractor, outside of Equatorial Guinea, after deduction of the relevant taxes in Equatorial Guinea. For this purpose, the Contractor may open and use freely bank accounts in Dollars or in other currencies in banks of its choice in Equatorial Guinea and abroad. Notwithstanding the foregoing, while this Contract is in force the Contractor and each of its subcontractors shall establish and maintain a bank account in a national banking institution in Equatorial Guinea, which shall have the Minimum Retention as set out in Article 1.1.77, which has been approved by the Ministry and, in the case of subcontractors, the minimum amount set by the Ministry from time to time;
- (c) to transfer such funds as the Contractor or its subcontractors shall have imported into Equatorial Guinea, or earned from Petroleum Operations, or from the proceeds of the sale or lease of goods or performance of services under this Contract;
- (d) to obtain abroad loans required for the performance of their activities under this Contract, provided that the Ministry shall have approved the terms of such loan, including the rate of interest and terms of repayment, whose approval shall not be unreasonably withheld or delayed);
- (e) to collect and maintain abroad all the funds acquired or borrowed abroad, and to freely dispose thereof, limited to the amounts that exceed the requirement of funds for their operations in Equatorial Guinea; and
- (f) free movement of funds owned by them according to the laws of Equatorial Guinea.

15.2 Report on Foreign Exchange Transactions

The Contractor and its subcontractors shall submit to the Ministry of Finance and Budgets, within forty-five (45) days of the end of each Quarter, a report with details of any foreign exchange transactions made during the preceding Quarter, including any transactions directly related to Petroleum Operations on accounts opened abroad and made in accordance with the provisions of Article 15.1.

15.3 Freedom of Exchange

The Contractor's and its subcontractors' expatriate employees shall be permitted, in accordance with the regulations then in effect in Equatorial Guinea, to freely exchange and to freely transfer to their country of origin any savings arising from their salaries, as well as any retirement and personal benefits paid by or for such employees, provided they have met their tax obligations in Equatorial Guinea.

ARTICLE 16 BOOKS, ACCOUNTS, AUDITS AND PAYMENTS

16.1 Maintenance of Records and Books

16.1.1 The Contractor shall at all times maintain at its offices in Equatorial Guinea the original records and books of Petroleum Operations in accordance with all applicable regulations and the Accounting Procedure.

16.1.2 All records and books shall be maintained in the Spanish and English languages and be denominated in Dollars, or such other currency as shall be requested by the Ministry from time to time. They shall be supported by detailed documents demonstrating the expenses and receipts of the Contractor under this Contract. Such records and books shall be used to determine the Contractor's Gross Revenues, Petroleum Operations Costs and net profits, and to establish the Contractor's Income Tax and other payment obligations. Such records and books shall also include the Contractor's accounts showing sales of Hydrocarbons.

16.2 Submission of Accounts

Within ninety (90) days after the end of a Calendar Year, the Contractor shall submit to the Ministry detailed accounts showing the Petroleum Operations Costs which the Contractor has incurred during such Calendar Year. The Contractor may request the approval of the Ministry for an additional extension of up to thirty (30) days; such approval shall not be unreasonably withheld or delayed. The accounts shall be certified by an independent external auditor acceptable to the Ministry and the Contractor. The expenses of such an auditor shall be met by the Contractor and shall be deemed a Petroleum Operations Cost.

16.3 Audit of Ministry

16.3.1 After notifying the Contractor, the Ministry may have experts of its choice or its own agents examine and audit any records and books relating to Petroleum Operations. The Ministry has a period of three (3) years from the date the Contractor submits to the Ministry such records and books in accordance with Article 16.2, to perform such examinations or audits with respect to the said Calendar Year and submit its objections to the Contractor for any contradictions or errors found during such examinations or audits.

16.3.2 The Contractor shall provide to the Persons designated by the Ministry any necessary assistance for the foregoing purpose and facilitate the performance of their duties. The Contractor shall bear all reasonable expenses incurred in such examination or audit,

which shall be recoverable as Petroleum Operations Costs. However, any expenses incurred for the audit and inspection of accounting books and records outside of Equatorial Guinea due to the Contractor's non-compliance with this Article 16 shall be borne by the Contractor and will not be recoverable as a Petroleum Operations Cost or deductible for tax purposes.

16.3.3 In the event of a disagreement between the Ministry and the Contractor in relation to the results of any examination or audit, the dispute shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding on the Parties. Unless otherwise determined by the expert, the costs and expenses of such expert shall be met proportionately by the Parties on a per capita basis and the Contractor's share shall not be a Petroleum Operations Cost.

16.4 Currency and Account of Payments

16.4.1 All payments between the Parties under this Contract shall, unless otherwise agreed, be in Dollars, or such other currency as shall be requested by the Ministry from time to time. Subject to Article 16.4.2, when the receiving Party is the State, payments shall be made to the General Treasury of the State, and when the receiving Party is the Contractor, payments shall be made to a bank account designated by the Contractor and notified to the Ministry.

16.4.2 All payments to be made to the Ministry pursuant to Article 23.2.2 shall be made to such account as shall be notified to the Contractor.

16.5 Timing and Overdue Payments

Unless otherwise agreed, all payments under this Contract shall be made within thirty (30) days following the date on which the obligation to make such payment occurs. In the event of a delay in payment the amount due shall bear interest compounded monthly at the rate of LIBOR plus two percent (2%) per annum.

ARTICLE 17 TRANSFER, ASSIGNMENT AND CHANGE OF CONTROL

17.1 Transfer to Equatoguinean Affiliate

Within the second (2nd) Calendar Year following the Effective Date, to the extent that they have not already done so, each of the Parties comprising the Contractor (other than the National Company) shall incorporate an Affiliate under the laws of Equatorial Guinea and OHADA and shall assign all of its rights and obligations in and under this Contract, the Joint Operating Agreement and any other agreement relating to Petroleum Operations to such Affiliate. After such transfer, all of the rights and obligations of the Parties comprising the Contractor under this Contract, the Joint Operating Agreement and any other agreements relating to Petroleum Operations shall be assumed by such Affiliate(s). Any assignment or transfer under this Article 17.1 shall not be subject to the provisions of Articles 17.2 and 17.3. The foregoing assignment or transfer shall not affect any parent company or bank guarantee provided pursuant to this Contract.

17.1.1 As to the withholding tax on dividends, pursuant to Article 237 of Law Number 4/2004 dated October 28, 2004, Regulating the Taxation System of the Republic of Equatorial Guinea (the “**Dividend Withholding Tax**”):

For a Field for which the Development and Production Plan has been approved by the Ministry in accordance with Article 5.5 above, the Dividend Withholding Tax will not accrue or be due and payable and is waived in its entirety (“**Withholding Tax Waiver**”) for ten (10) Calendar Years commencing with first commercial production from such qualifying Field.

17.2 Assignment, Transfer, Change of Control

17.2.1 The assignment, transfer, or other disposition of the rights and/or obligations of a Party comprising the Contractor shall require the prior consent of the Ministry. Any request for authorization shall be accompanied by all information related to the assignment, transfer, or other disposition including all legal instruments, in final draft form, to be used to carry out the proposed transaction, the identity of all parties to the transaction, the estimated value of the transaction and whether the consideration is payable in kind, securities, cash or otherwise. Such assignment, transfer, or other disposition shall be subject to the payment of a non-recoverable, non-deductible fee (“**Transfer Fee**”) of (i) one percent (1%) of Book Value of the assignment, transfer, or disposition when such occurs during the Exploration Periods, and (ii) two percent (2%) of Book Value of the assignment, transfer, or disposition when such occurs during Development and Production Operations, and other non-monetary requirements stipulated in the authorization issued by the Ministry. The assignee and the assignor shall be jointly and severally liable for the payment of such Transfer Fee and for the fulfillment of any other requirements. If within ninety (90) days following notification to the Ministry of a proposed assignment accompanied by the necessary information to prove the technical and financial means of the assignee as well as the terms and conditions of assignment, the Ministry has not given notice of his opposition with reasonable justification, such assignment shall be deemed to have been approved by the Ministry.

Any assignment, transfer, or other disposition of the rights and/or obligations of a Party comprising the Contractor to an Affiliate shall not be subject to the Transfer Fee.

17.2.2 All assignees must:

- (i) have the technical and financial ability to meet its obligations under this Contract;
- (ii) in relation to the interest assigned, accept and assume all of the terms and conditions of this Contract, the Joint Operating Agreement and any other agreements relating to Petroleum Operations; and
- (iii) be an entity with which the Ministry and each of the Parties comprising the Contractor can legally do transactions.

17.2.3 All profits resulting from any assignment, transfer or other disposition of any rights and/or obligations under this Contract, regardless of the type and location of the transaction, shall be subject to taxation in conformity of the Tax Law of Equatorial Guinea.

17.2.4 Subject to Article 104 of the Hydrocarbon Law and Article 168 of the Petroleum Regulations, each and every one of the Parties comprising the Contractor shall have the right to sell, grant, hand over, transfer or dispose in any other manner all or part of their rights and interests in the Contract, subject to the prior written consent of the Ministry, which shall not be withheld or delayed with no justified reason:

- (a) To a wholly owned Affiliate;
- (b) To the beneficiary of the transfer as foreseen in Article 17.1;
- (c) To any of the other Parties comprising the Contractor; or
- (d) To third parties.

17.2.5 If there is an assignment or transfer all or part of their rights and interests in the Contract by Company to a third party, the third party assignee will purchase all existing data packages (both seismic and well) over the Area for one million Dollars (\$1,000,000).

17.3 Change of Control

For the purposes of this Article 17, the transfer of ownership of more than fifty percent (50%) of the shares of any Party comprising the Contractor (other than the National Company) or any similar transfer that results in a change of Control shall be deemed to be an assignment of contractual rights under this Contract and consequently subject to the terms and conditions of this Article 17, except for the cases of transfers to an Affiliate wholly owned by any Party comprising the Contractor (except for the National Company), in which case such transfer shall not be deemed a change of Control.

17.4 Recourse to Third Party Funding

Recourse by any Party comprising the Contractor to third party funding which involves the assignment of rights over its entitlement to Hydrocarbons under this Contract is not permitted without the prior consent of the Ministry, which consent shall not be unreasonably withheld or delayed with no justified reason.

17.5 The National Company's Right of Preemption

When an assignment, transfer or other disposition of any rights under this Contract to a third party is anticipated, the assigning Party must notify in writing the National Company as soon as practicable. The National Company shall then have the right to purchase the assigning Party's interest under this Contract and proposed to be assigned, transferred or otherwise disposed of on the same terms and conditions as those offered to a bona-fide assignee. This right is in addition to any right of pre-emption granted to the National Company under the Joint Operating Agreement. This right of pre-emption is not applicable to any assignment, transfer or other disposition of any rights under this Contract to an Affiliate.

ARTICLE 18 INDEMNIFICATION, LIABILITY AND INSURANCE

18.1 Liability and Indemnity

18.1.1 The Contractor shall indemnify, hold harmless and compensate any Person, including the State, for any damage or loss which the Contractor, its Affiliates, its subcontractors and their respective directors, officers, employees, agents or consultants and any other Person acting on its or their behalf may cause to such Person or their property in the conduct of Petroleum Operations. All costs incurred under this Article 18.1 caused by the negligence or willful misconduct of the Contractor, its Affiliates, its subcontractors or their respective directors, officers, employees, agents or consultants or any other Persons acting on its or their behalf shall not be cost recoverable as a Petroleum Operations Cost.

18.1.2 The Contractor shall assume all liability, and exempt the State from any liability, in respect of any and all claims, obligations, losses, expenses (including attorneys' fees), damages or costs of any nature resulting from the violation of any intellectual property rights of any kind caused by the Contractor, its Affiliates or subcontractors as a result of or in relation to the conduct of Petroleum Operations, regardless of the nature of the violation or of the way in which it may occur.

18.2 Joint and Several Liability

Where the Contractor is comprised of more than one Person, the liabilities and obligations of such Persons under this Contract shall be joint and several, except for their obligations and liabilities in relation to all taxation assessed on their income, including capital gains tax or any other similar tax or withholding tax in lieu of income or similar tax.

18.3 Insurance

18.3.1 The Contractor shall obtain and, during the term of this Contract, maintain in full force and effect, for Petroleum Operations insurance of such type and in such amount as is customary and prudent in accordance with generally accepted practice of the international petroleum industry, and whose coverage terms and conditions shall be communicated to the Ministry within thirty (30) days after the Effective Date. The foregoing insurance shall, without prejudice to the generality of the foregoing provisions, cover:

- (a) any loss or damage to all assets used in Petroleum Operations;
- (b) pollution caused in the course of Petroleum Operations;
- (c) property loss or damage or bodily injury or death suffered by any Person in the course of Petroleum Operations;
- (d) the cost of removing wrecks and clean-up operations following an accident or upon decommissioning; and
- (e) the Contractor's liability to its employees engaged in Petroleum Operations.

18.3.2 The Contractor shall require its subcontractors to carry insurance of such type and in such amount as is customary in accordance with generally accepted practice of the international petroleum industry.

18.3.3 The Contractor shall use all reasonable endeavors to place the insurance required under this Article 18 with Equatoguinean insurance brokers and insurance companies.

ARTICLE 19

TITLE OF GOODS, EQUIPMENT AND DATA

19.1 Title and Use of Facilities, etcetera

All installations, facilities, goods, equipment, materials or land acquired by the Contractor for Petroleum Operations shall become property of the State from the point at which their costs are fully recovered by the Contractor. The Ministry shall authorize the Contractor to continue using those permanent facilities and equipment that continue to prove useful in carrying out Petroleum Operations, in accordance with Article 32 of the Hydrocarbons Law.

19.1.1 The Contractor and the Ministry shall agree the mode and conditions of such use, subject to ensuring their maintenance in good condition and good working order, normal wear and tear excepted. In any case, upon termination, rescission or cancellation of this Contract, for any reason whatsoever, in relation to all or any part of the Contract Area, the ownership of said installations, facilities, goods, equipment, materials or land, and including those whose costs have not been fully recovered, and any other items acquired and used for Petroleum Operations shall become the sole property of the State and shall be conveyed directly to it.

19.1.2 Regardless of whether or not the Contractor has recovered the relevant costs in accordance with this Contract, the State is entitled to use the said facilities, goods, equipment, materials or land for its own purposes, provided that such use does not interfere with the Contractor's Petroleum Operations.

19.1.3 Under no circumstances may the Contractor sell, assign, transfer or otherwise dispose of any such facilities, goods, equipment, materials or land to any other Persons.

19.1.4 The provisions of this Article 19.1 shall not apply to any leased equipment or to the Contractor's equipment that is not charged to Petroleum Operations as a Petroleum Operations Cost.

19.1.5 If the Ministry does not wish to use any of the facilities, goods, equipment and materials referred to in this Article 19.1, it has the right to request the Contractor to remove them at the Contractor's own expense, and the Contractor will carry out any decommissioning operations of the said facilities, goods, equipment and materials in accordance with this Contract and the Hydrocarbons Law, and based on the time frame and specified conditions in the approved decommissioning plan.

19.2 Ownership of Data

All data, technical information and interpretations obtained, acquired or derived as a result of Petroleum Operations shall be the sole property of the State. However, the Contractor may retain copies of all such materials for the duration of this Contract only, including, among others, geological, geophysical, petrophysical and engineering reports, Well reports, termination reports, samples and any other information that the Contractor

may have obtained or compiled during the term of this Contract. The Contractor shall forward such data, technical information and interpretations to the Ministry as soon as they are acquired, derived or compiled and shall also provide the Ministry on an annual basis with a report that itemizes all such data, technical information and interpretations that have been assembled during the Year. Unless previously provided, at the termination of this Contract or at any time of relinquishment, the Contractor shall return to the Ministry all original data, technical information and interpretations relating to the areas relinquished and will remove all copies of such from the Contractor's files, archives, computers and data storage mechanisms.

ARTICLE 20 CONFIDENTIALITY

20.1 Disclosure of Confidential Information

20.1.1 The Parties agree that for the duration of this Contract, the terms hereof and all information relating to this Contract and Petroleum Operations shall be kept strictly confidential and may not be divulged by any Party without mutual consent, except:

- (a) to an Affiliated Company;
- (b) to any governmental agency, designated by the State or other entities or consultants of the Ministry;
- (c) to the extent that such data and information is required to be furnished in compliance with any applicable laws or regulations;
- (d) in conformity with the requirements of any stock exchange having jurisdiction over a Party;
- (e) where any data or information forms part of the public domain otherwise than a result of a breach of this Contract;
- (f) to employees, directors, officers, agents, advisors, consultants or subcontractors (both actual and potential) of a Party comprising the Contractor or an Affiliate;
- (g) to any company with a bona fide interest in the carrying out of a possible assignment; and
- (h) to any bank or financial establishment with which an entity of the Contractor solicits or obtains financing,

provided that the disclosing Party shall be responsible for any and all breaches of this Article by such Persons and provided further that any disclosure to the Persons referred to in paragraphs (f), (g) and (h) above shall be limited to those Persons who are under a duty of confidentiality similar to that contained in this Article 20.1.

20.1.2 For an additional period of two (2) Years after the termination of this Contract, only the Parties comprising the Contractor (other than the National Company) shall be obliged to comply with the above stated requirements.

20.2 The Contractor's Patents

The State shall not reveal to any third parties information pertinent to the Contractor's own technology that is protected by patents or contractual agreements, or which the State has received under license for a period of two (2) Years after termination of this Contract.

20.3 Continuation of Obligations

Any Party ceasing to own a Participation Interest in this Contract during the term of this Contract shall nonetheless remain bound by the obligations of confidentiality set forth in this Article 20.

20.4 Disclosure of Confidential Information by the State and Ministry

In order to explore and exploit areas adjoining or related to the Contract Area, the State and the Ministry may, notwithstanding this Article 20, disclose to any third parties a limited set of data and information relating to part or parts of the Contract Area and Petroleum Operations hereunder, upon agreement with the Contractor.

ARTICLE 21 TERMINATION

21.1 Termination by the State

Notwithstanding any other actions contemplated herein, this Contract may be terminated, without compensation to the Contractor, on any of the following grounds:

- (a) a material breach by the Contractor (not attributable to any act or omission of the State or to any Person representing the State) of any of the provisions of this Contract or the Hydrocarbons Law;
- (b) a delay by the Contractor (not attributable to any act or omission of the State or to any Person representing the State) in making any payment owed to the State that exceeds three (3) months;
- (c) the suspension of Development works on a Field for six (6) consecutive months, except when such suspension (i) has been approved by the Ministry in advance, or (ii) is due to an act or omission on the part of the State or of any Person representing the State, or (iii) is as a result of Force Majeure,
- (d) when, after the commencement of Production of a Field, its exploitation is suspended for at least three (3) consecutive months, without the prior permission of the Ministry, except when such suspension (i) is due to an act or omission on the part of the State or of a Person representing the State, or (ii) is as a result of Force Majeure;
- (e) when the Contractor fails to comply within the prescribed time period with an arbitration award in accordance with the provisions of Article 26, and the failure to comply is not attributable to any act or omission of the State or to any Person representing the State;

- (f) when a Well is drilled to an objective beyond the vertical planes of the limits of the Contract Area without the prior consent of the Ministry;
- (g) a breach of this Contract arising out of activities which are illegal or contrary to national or international law (not attributable to any act or omission of the State or to any Person representing the State);
- (h) under the provisions of Article 2.3; or
- (i) when the Contractor is declared bankrupt, or in liquidation as a result of financial insolvency, or enters into judicial or financial arrangements on insolvency with its creditors generally, except when the Contractor can provide the State with a new financial guarantee that is acceptable to the Ministry in its sole discretion, and that guarantees the capacity of that Party to fulfill its obligations under this Contract.

21.2 Notice of Termination and Grace Period

21.2.1 The Ministry may declare this Contract terminated only after having served a formal notice on the Contractor, by registered mail, requesting it to remedy the situation or breach in question, and, if the situation or breach in question is capable of remedy, requesting it to remedy the same within five (5) Business Days from receipt of such notice regarding payments due under Article 21.1(b) or within three (3) months from receipt of such notice for all other situations or breaches capable of remedy. Otherwise the effective date of the termination of this Contract shall be date of receipt by the Contractor of the foregoing notice.

21.2.2 If the Contractor fails to comply with such notice within the prescribed time period or fails to show within such five (5) Business Days or three (3) month period that it has commenced and is promptly and diligently continuing to remedy the situation or breach in question, the Ministry may pronounce ipso jure the termination of this Contract.

21.3 Termination against one Party

The Ministry may terminate this Contract as to one of the Parties comprising the Contractor, if the circumstances set forth in Article 21.1 are applicable to only that Party in the manner set forth in Article 21.2.

ARTICLE 22 UNITIZATION

22.1 Obligation to Unitize

If any Hydrocarbon bearing reservoir lying within the Contract Area extends beyond such area, the Contractor must carry out all Development and Production in respect of such Hydrocarbon bearing reservoir in accordance with the Hydrocarbons Law. The Contractor shall use all reasonable endeavors to reach a mutually acceptable unitization agreement and program with all other affected Persons.

22.2 Suspension of Obligations

In the event that Petroleum Operations that are the subject of this Contract are suspended by reason of negotiations arising in respect to a unitization scenario in relation to a specific Discovery, the provisions of Article 5.3 for such Discovery shall be extended for a period of time equal to the duration of such suspension.

ARTICLE 23

LOCAL CONTENT AND SOCIAL PROGRAMS

23.1 Regulation of National Content.

The Contractor shall comply with the Local Content Regulation enacted by the Ministry in the Ministerial Order 1/2014 of 26th of September 2014, abiding by the duties established in this Article 23. For all non Material Contracts, the Contractor, with no obligation to bid and without the Ministry's approval (which will be regarded as granted pursuant to the Hydrocarbon Law):

- (a) before awarding a service contract, the Contractor shall notify the Ministry the need for such services;
- (b) the Ministry shall provide a list of national companies to the Contractor within fifteen (15) days of Contractor's notice of the need for such services. The Contractor shall support the Ministry by including the national companies of the list the Contractor regards as competent in the bids required in the framework of this Contract;
- (c) When granting the contracts, the Contractor shall give preference to the national companies included in the list given by the Ministry according to Article 23.1(b), in agreement with the Decree 127/2004. Should the Contractor consider that such companies are not competent or not in compliance with Contractor's compliance and financial requirements, the contract may be granted to a foreign company, according to Articles 12 and 13 of the Ministerial Order 1/2014;
- (d) The Contractor shall notify the foreign company winning the tender regarding the hire of services about the conditions specified in Article 23 (1) (c);
- (e) the Contractor shall send the Ministry, at the end of July and January of every calendar year, a list of the subcontractors that have provided services in Equatorial Guinea during the previous period;
- (f) in the contracts that imply service delivery or goods supply in Equatorial Guinea, the Contractor shall include clauses that make the subcontractors to abide by the specifications of the Ministerial Order 1/2014;
- (g) the Contractor shall organize workshops to make the national companies aware of the requirements demanded by the Operator in terms of service delivery;
- (h) the Contractor shall notify the Ministry, which in turn shall inform all the additional competent authorities, of the vacancies and new jobs to implement 51 the works in Equatorial Guinea;

- (i) at the beginning of the Operations of Development and Production, the Contractor shall hand over and agree a plan with the Ministry to hire national employees and empower them; this action shall include tasks and actions for their professional development to be carried out at the offices of the Operator in Dallas with the possibility of joining the Technical Team of Operations of Equatorial Guinea to reach the reasonable and feasible nationalization targets, and shall send updated information to the Ministry with regard to the implementation of such a plan at the end of July and January of each subsequent year; and
- (j) The Contractor shall send to the Ministry a description of the tools used to evaluate the national employees.

23.2 Employment and Empowerment of Equatoguinean Personnel

23.2.1 At the beginning of the Operations of Development and Production of the EG-21 Block, the Operator shall ensure priority of employment of Equatoguinean qualified personnel at all levels of its organization, according to the following table and on the basis of the competences and skills of the employees. For the purpose of this Article, the technicians proposed by the National Company will also be taken into account as long as they have the competences and experience required; such employees will join the technical team of the operator under the personnel coverage in secondment. The Operator shall empower or contribute to the training of the aforementioned personnel so that they acquire the competences and skills required to fill any vacancy, including the supervision positions, related to Petroleum Operations. However, the Operator will only have to hire the numbers of personnel needed to implement the Petroleum Operations in a cautious and profitable manner.

Positions	Percentage of National Employees	Percentage of Expatriate Employees
Total number of employees	75%	25%
Technical and professional positions (Geologists and engineers, legal experts, financial experts, safety, health and environment)	60%	40%
Supervision and management positions	510%	50%
Technicians working offshore (including Safety, Health and Environment)	85%	15%
Support and administration services	100%	0%

23.3 Preference to Equatoguinean Service Companies

The Contractor and its subcontractors undertake to give preference to Equatoguinean services, materials, equipment, consumables and other goods whose quality and time of delivery are comparable to those available internationally, provided that the cost in Equatorial Guinea is no more than ten percent (10%) above the cost of similar services, materials, equipment, consumables and other goods available internationally.

23.4 Employment and Training of Equatoguineans

23.4.1 From the Effective Date, the Contractor shall ensure priority employment for adequately qualified Equatoguinean personnel in all levels of their organization, as the employee's skill allows, and as provided for in Article 23,2.2, shall train or contribute in the training of such personnel to enable them to qualify for any position relating to Petroleum Operations. Expatriate personnel may only be employed if the Contractor and its subcontractors have exhausted all possibilities of recruiting adequately qualified Equatoguinean personnel in the required area of specialization.

23.4.2 During the term of this Contract, the Parties comprising the Contractor (other than the National Company), during the Exploration Period, shall spend **one hundred thousand** Dollars (\$100,000) per Calendar Year, to provide a mutually agreed number of Ministry and National Company personnel with on-the-job training in the Contractor's operations in Equatorial Guinea and overseas and/or practical training at institutions abroad, particularly in the areas of natural earth sciences, engineering, technology, accounting, economics and other related fields of oil and gas exploration and exploitation ("**Job Training**"). During the term of this Contract, the Parties comprising the Contractor (other than the National Company), during the Development and Production Period, shall spend **three hundred thousand** Dollars (\$300,000) per Calendar Year, to provide Job Training.

The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.4.3 Additionally, during the term of this Contract, the Parties comprising the Contractor (other than the National Company) shall transfer to the Ministry one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall transfer to the Ministry three hundred thousand Dollars (\$300,000) per Calendar Year during the Development and Production Period, which the Ministry shall use at its sole discretion to educate and train Equatoguinean personnel selected by the Ministry at universities, colleges or other training institutions selected by the Ministry and for other general training and educational purposes ("Training Funds").

The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.5 Social Projects

If the Contractor funds any social projects outside of those approved in an Annual Budget such costs shall not be recoverable as a Petroleum Operations Cost.

Given that Equatoguinean civil society is a part of the local content in oil and gas contracts, the Contractor shall commit one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall commit four hundred fifty thousand Dollars (\$450,000) per Calendar Year during the Development and Production Period, to cooperate with non-governmental organizations in charitable works to develop society, sport activities and health programs to fight and prevent disease, as well as other non-profit related activities. The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.6 National Technology Institute

The Contractor shall transfer to the Ministry one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall transfer to the Ministry three hundred thousand Dollars (\$300,000) per Calendar Year during the Development and Production Period, and provide other reasonable non-monetary assistance as may be requested by the Ministry from time to time with the implementation and development of the National Technology Institute to train and develop mid and upper level personnel in the petroleum industry of Equatorial Guinea and in accordance with the Hydrocarbons Law. The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.7 National Database of the Ministry of Mines and Hydrocarbons

The Contractor shall transfer to the Ministry one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall transfer to the Ministry three hundred thousand Dollars (\$300,000) per Calendar Year during the Development and Production Period, and provide other reasonable non-monetary assistance as may be requested by the Ministry from time to time with the implementation and development of the a data base of seismic and well data in the petroleum industry of Equatorial Guinea and in accordance with the Hydrocarbons Law. The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

ARTICLE 24 DECOMMISSIONING

24.1 Relinquishment or Decommissioning

24.1.1 Subject to Article 2.5.2, the Contractor may at any time relinquish and/or abandon any portion of the Contract Area or any Well not included in a Field subject to having given three (3) months prior notice to the Ministry, provided that the Contractor shall have fulfilled all of its obligations under this Contract and that it has given the Ministry full details of the state of any reservoir and the facilities and equipment in such area in addition to any plans for the removal or dismantling of such facilities and equipment including all technical and financial information. All decommissioning operations must be undertaken in accordance with the Hydrocarbons Law.

24.1.2 The decommissioning of a Field by the Contractor and its corresponding decommissioning plan shall require the prior approval of the Ministry in accordance with the Hydrocarbons Law. The Contractor shall prepare and deliver to the Ministry a plan for the decommissioning of all Wells, facilities and equipment, the rehabilitation of the landscape and the continuation of Petroleum Operations, if applicable, in accordance with the Hydrocarbons Law.

24.1.3 Unless the Ministry elects to keep the facilities and equipment in order to continue Petroleum Operations in accordance with Article 24.3.3, the Contractor is obligated to fully decommission all Fields within the Contract Area.

24.2 Right of Ministry

Upon receipt by the Ministry of the notice referred to in Article 24.1.1 or upon the decommissioning of any Field, the Ministry shall be entitled to take over any Discovery or Field whose decommissioning is proposed by the Contractor. If the Ministry does not communicate its desire to take over Petroleum Operations within three (3) months of receipt of the relevant notice, it shall be deemed to have elected not to do so.

24.3 Reserve Fund

24.3.1 In order to implement the decommissioning of a Field, the Contractor shall contribute to a reserve fund for the estimated decommissioning costs, (the Reserve Fund) in accordance with the Hydrocarbons Law and the approved decommissioning plan, and shall be included as a recoverable cost. As for the constitution of the Reserve Fund, it will begin from the Fifth (5) year from the first production at an international bank holding at least a Standard and Poor's A- rating to be agreed by the Parties. All contributions mentioned will be deductible for tax purposes and will be considered as a cost of Petroleum Operations in the year in which they were contributed.

24.3.2 In the event that the total amount of the Reserve Fund is greater than the actual cost of decommissioning, the account balance shall be distributed between the State and the Contractor in accordance with Article 7.3. In the event that the amount of the Reserve Fund is less than the actual cost of decommissioning operations, the Contractor shall be liable for the remainder.

24.3.3 In the event that the Ministry elects to keep the facilities and equipment in order to continue Petroleum Operations after the withdrawal of the Contractor, the Reserve Fund so established together with the related interest shall be put at the Ministry's disposal to cover the later decommissioning. The Contractor shall be released from any further decommissioning liability in respect of such facilities and equipment.

24.4 Continuing Operations

The State undertakes not to interfere with the conduct of Petroleum Operations in the Contract Area retained by the Contractor in the event that the State should elect to take over a Discovery or Field pursuant to Article 24.2. If requested by the Ministry, the Contractor shall undertake to continue all operations for a fee and on terms to be agreed between the Ministry and the Contractor.

24.5 Protection of the Environment

The Contractor shall duly plug all the Wells and decommission all facilities and equipment in order to avoid contamination and harm to the environment and possible damage to the reservoir, in accordance with the Hydrocarbons Law, the other laws of Equatorial Guinea and generally accepted practice of the international petroleum industry.

ARTICLE 25 APPLICABLE LAW

25.1 Applicable Law

This Contract and all Petroleum Operations carried out hereunder shall be governed by and construed in accordance with the laws and regulations of Equatorial Guinea,

25.2 Change in Law

Should a Change in the Law occur, and if as a consequence of its implementation, such a Change in the Law caused, to the detriment of the Contractor or its shareholders, a decrease in economic rights or an increase in the economic obligations included in or resulting from this Contract, the Parties shall take the adequate measures to achieve the necessary economic balance, based on the principle that the Contractor shall be restored to the same economic status it would have if no change had occurred. Such Contractor's restoration shall not exceed the benefits received by the State and by other third beneficiaries of the Change in the Law, as a result of such a change. This norm shall never be interpreted as if the Contractor is being denied the advantages it could benefit from as a result of the new law, decree, norm, order or regulation passed by the State.

25.3 Business Standards

Each Party represents and warrants that it did not engage any person, firm or company as a commission agent for purposes of this Contract and that it has not given or offered to give nor will it give or offer to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of significant value, as an inducement or reward for doing or forbearing to do any action or take any decision in relation to this Contract, or for showing or forbearing to show favor or disfavor to any person in relation thereto. The Contractor further represents and warrants that no loan, reward, offer, advantage or benefit of any kind has been given to any official of the State or any person for the benefit of such official or person or third parties, as consideration for an act or omission by such official in connection with the performance of such person's duties or functions or to induce such official to use his or her position to influence any act or decisions of the administration with respect to this Contract.

ARTICLE 26 RESOLUTION OF CONFLICTS AND ARBITRATION

26.1 Dispute Resolution and Notification

26.1.1 In the event of any dispute, claim, conflict or controversy (a Dispute) between any of the Parties arising out of, or in relation to, this Contract, including any question regarding its breach, existence, validity or termination, the Parties shall take all reasonable measures to resolve such Dispute amicably.

26.1.2 If the relevant Parties have not reached an amicable agreement after three (3) months of the date of the notice of a Dispute by one Party to another, unless the Parties to the Dispute mutually agree to an extension, any Party to the Dispute may refer the Dispute for resolution by final and binding arbitration:

- (a) to the International Centre for the Settlement of Investment Disputes (the **Centre**) established by the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington, March 18, 1965 (the **ICSID Convention**);

to the Additional Facility of the Centre, if the Centre is not available; or

- (b) in accordance with the Arbitration Rules of the International Chamber of Commerce (ICC), if neither the Centre or the Additional Facility are available.

26.1.3 The Parties hereby consent to submit to the Centre any dispute arising out of or relating to this Contract for settlement by arbitration pursuant to the Rules of Arbitration of the Centre. The State and the National Company agrees not to make, and hereby irrevocably waives, in relation to any Dispute, whether relating to acts of a sovereign or governmental nature or otherwise, all claims of immunity (sovereign or otherwise) by it or on its behalf from the jurisdiction of, and from the enforcement of any arbitral award rendered by, an arbitral tribunal constituted pursuant to this Contract as well as all claims of immunity from the service of process or the jurisdiction of any court in aid of the jurisdiction of such arbitral tribunal or in connection with the enforcement of any such award.

26.2 Seat and Language of Arbitration

The seat of the arbitration shall be agreed by the Parties to the Dispute and, in case of a disagreement, shall be determined by the arbitrators. The languages of the arbitration proceedings, and of all orders, decisions, and the award, shall be Spanish and English.

26.3 Number and Identity of Arbitrators

The arbitral tribunal shall be constituted by three (3) arbitrators selected according to the following procedure:

- (a) The claimant and the respondent shall, within thirty (30) days from the day on which a request for arbitration has been submitted, appoint an arbitrator each (and if there is more than one claimant or more than one (1) respondent, then the claimants and/or the respondents collectively shall each appoint a single arbitrator), by giving notice in writing of such appointment to the Secretary-General of ICSID and the other Party or Parties to the Dispute.
- (b) If either the claimant or the respondent fails to comply with the time limit in the preceding paragraph, the Chairman of the Administrative Council of ICSID shall appoint the arbitrator or arbitrators that have not yet been appointed, at the request of either the claimant or the respondent and after consulting the claimant and the respondent as far as possible. The Chairman of the Administrative Council of ICSID shall give notice in writing of such appointment or appointments to the Secretary-General of ICSID and the claimant and the respondent.
- (c) The two (2) arbitrators so appointed shall, within thirty (30) days of their appointment agree upon the person to be appointed as the President of the tribunal, and give notice of such appointment to the Secretary-General of ICSID and the claimant and the respondent.
- (d) If the two (2) arbitrators fail to agree upon the person of the President of the tribunal, the Chairman of the Administrative Council of ICSID shall appoint the President, at the request of either the claimant or the respondent, and after consulting the claimant and the respondent as far as possible. The Chairman of

the Administrative Council of ICSID shall give notice in writing of such appointment to the Secretary-General of ICSID and the claimant and the respondent.

None of the arbitrators shall be a citizen of the countries of any of the Parties to the Dispute (or in the case where the Party is a company or another entity, any country or countries of nationality of such Party, including the country of its ultimate parent).

26.4 Rules of Arbitration

The arbitration procedures initiated under this Contract shall operate under the arbitration rules in effect for ICSID, the Additional Facility or ICC, as the case may be, at the time of the filing of the request for arbitration, which rules are deemed to be incorporated herein by reference in this Article 26.

26.5 Binding Nature of Arbitration

The arbitration award shall be final and binding on the Parties and shall be immediately enforceable, subject to the remedies provided for in the ICSID Convention and Arbitration Rules, in the Arbitration Rules of the Additional Facility of the Centre, or in the ICC Arbitration Rules, as appropriate. The Parties waive any right to refer any question of law, and any right of appeal on the law and/or merits to any court. It is expressly agreed that the arbitrators shall have no authority to award aggravated, exemplary or punitive damages.

26.6 Costs of Arbitration

The costs of arbitration shall be charged in accordance with the directions of the arbitration tribunal, failing which shall be borne proportionally by the Parties to the Dispute on a per capita basis. The costs of the Parties comprising the Contactor shall not be recoverable.

26.7 Payment of Awards

Any monetary award issued shall be expressed and payable in Dollars.

ARTICLE 27 FORCE MAJEURE

27.1 Non-fulfillment of Obligations

Any obligation or condition arising or derived from this Contract which any Party is unable to perform, whether in whole or in part, shall not be considered as a breach or non-fulfillment of its obligations under this Contract if such breach or non-performance is caused by an event of Force Majeure, provided that there is a direct cause-and-effect relationship between the non-performance and the event of Force Majeure. Notwithstanding the foregoing, all payment obligations owed by any Party to another must be made when due.

27.2 Definition of Force Majeure

For the purposes of this Contract, an event shall be considered an event of Force Majeure if it meets the following conditions:

- (a) it has the effect of temporarily or permanently preventing a Party from performing its obligations under this Contract;
- (b) it is unforeseeable, unavoidable and beyond the control of the Party which declares Force Majeure; and
- (c) it is not a result of the negligence or willful misconduct of the Party which declares Force Majeure.

Such an event shall include acts of God, earthquake, inclement weather, strike, riot, insurrection, civil unrest, blockade, sabotage and acts of war (whether declared or not). The Parties intend for the term of Force Majeure to be construed in accordance with the principles and practice of the international petroleum industry.

27.3 Notification of Force Majeure

If any Party is unable to comply with any obligation or condition provided herein due to Force Majeure, it shall notify the other Parties in writing as soon as possible, and in any event not later than fourteen (14) days after the event in question, giving the reason for its non-compliance and a detailed account of the Force Majeure, as well as the obligation or condition affected. The Party affected by the Force Majeure shall use all reasonable endeavors to remove the cause thereof, keep the other Parties fully informed of the situation and the current evolution of the Force Majeure event and shall promptly notify the other Parties as soon as the Force Majeure event is over and no longer prevents it from complying with its obligations or conditions hereunder.

27.4 Continuation of Obligations

All obligations, other than those affected by the event of Force Majeure, shall continue to be performed in accordance with this Contract.

27.5 Cessation of Force Majeure

Upon the cessation of the event of Force Majeure, the relevant Party shall undertake and complete, as soon as practicable and within a time frame to be mutually agreed by the Parties, all obligations suspended as a result thereof.

27.6 Continuation of Force Majeure

When a Force Majeure event lasts more than ninety (90) days, the Parties will forthwith consult to examine the situation and implications for Petroleum Operations, in order to establish the course of action appropriate for the fulfillment of contractual obligations under the circumstances of the said Force Majeure. In such event the term of this Contract will be extended by the same amount of time that the Force Majeure has lasted.

ARTICLE 28 ASSISTANCE AND NOTICE

28.1 Assistance of Ministry

28.1.1 The Ministry shall facilitate, within its authority and in accordance with the rules and procedures in effect in Equatorial Guinea, the performance of the Contractor's activities by granting it all permits, licenses and access rights that are reasonably necessary for the purposes of Petroleum Operations, and by making available to it all necessary services with respect to Petroleum Operations in Equatorial Guinea.

28.1.2 The Ministry shall also facilitate and assist the Contractor in obtaining all permits, licenses or rights not directly related to Petroleum Operations, but which the Contractor may reasonably require for the purposes of fulfilling its obligations under this Contract.

28.2 Notices and Other Communications

All notices, approvals or other communications authorized or required between the Parties by any of the provisions of this Contract shall be in writing (in Spanish and English), addressed to such Parties and delivered in person by courier service or by any electronic means of transmitting written communications which provides written confirmation of complete transmission. For purposes of this Contract, oral communication does not constitute notice or approval, and e-mail addresses and telephone numbers for the Parties are listed below as a matter of convenience only. A notice or approval given under any provision of this Contract shall be deemed delivered only when actually received by the Party to whom such notice or approval is directed, and the time for such Party to deliver any communication in response to such originating notice or approval shall run from the date the originating notice or approval is received. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices or approvals be directed to another Person at another address, by giving written notice thereof to all other Parties.

For the State:

MINISTRY OF MINES AND HYDROCARBONS

Autovia Aeropuerto – Ela Nguema
Malabo II, Malabo – Guinea Ecuatorial

Malabo, Bioko Norte

Republic of Equatorial Guinea

For the attention of: His Excellency the Minister of Mines and Hydrocarbons

Telephone: + (240) 09 3567, 09 3405

Facsimile: + (240) 093353

For the Contractor:

Kosmos Energy Equatorial Guinea

c/o Circumference (Cayman), P.O. Box 32322, 4th
Floor, Century Yard, Cricket Square, Elgin Avenue,
George Town, Grand Cayman, KY1-1209
Cayman Islands

For the attention of: **General Counsel**
Telephone: +I 214 445 9600
Facsimile: +1 214 445 9705

For the National Company:
GUINEA ECUATORIAL DE PETROLEOS
Tone Gepetrol
Autovia Aeropuerto – Ela Nguema
Malabo II, Malabo – Guinea Ecuatorial
GEPetrol P.O. Box 965 Malabo
Equatorial Guinea
For the attention of: Director General
Telephone: + (240) 096769
Facsimile: + (240) 096692

ARTICLE 29 MISCELLANEOUS

29.1 Amendments

This Contract may only be amended in writing and by mutual agreement between the Parties; any purported amendments in contravention of this provision shall not be effective.

29.2 No Partnership

This Contract shall not be construed to create an association, joint venture or partnership between the Parties or to impose any partnership obligation or liability upon a Party.

29.3 Hydrocarbons Law

All Petroleum Operations and the Contractor are subject to the provisions of the Hydrocarbons Law and the Petroleum Regulations in effect from time to time.

29.4 Entire Agreement

With respect to the subject matter contained herein, this Contract (i) is the entire agreement of the Parties and (ii) supersedes all prior understandings and negotiations of the Parties.

29.5 No Waiver

In the event of a waiver by any Party of one or more defaults by another Party in the performance of the provisions of this Contract, such waiver shall not operate or be construed as a waiver of any future default or defaults by the same Party, whether of a like or of a different character. Except as expressly provided in this Contract no Party shall be deemed to have waived, released or modified any of its rights under this Contract unless such Party has expressly stated, in writing, that it does waive, release or modify such right.

29.6 No Conflict

- 29.6.1 Each of the Parties constituting the Contractor undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in connection with activities contemplated under this Contract
- 29.6.2 In the event of any conflict between the main body of this Contract and its Annexes, the main body shall prevail. In the event of any conflict between this Contract and the Hydrocarbons Law, the Hydrocarbons Law shall prevail,

ARTICLE 30 INTERPRETATION

- 30.1 The table of contents and headings used in this Contract are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Contract relating to any topic are to be found in any particular Article.
- 30.2 Reference to the singular includes a reference to the plural and vice versa.
- 30.3 Reference to any gender includes a reference to all other genders.
- 30.4 Unless otherwise provided, reference to an Article or an Annex means an Article or Annex of this Contract.
- 30.5 The words 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.
- 30.6 Any reference to a Person shall be construed as including a reference to its successors, permitted transferees and permitted assignees.
- 30.7 Any reference to a statute or enactment shall be construed as a reference to such statute or enactment as it may have been or may be amended or re-enacted from time to time, or any subordinate legislation made or legal norm created, or may from time to time be done, under such statute or enactment.
- 30.8 Reference to this Contract or part thereof or any other document shall be construed as a reference to the same as it may be amended, supplemented, novated or replaced from time to time.

ARTICLE 31 EFFECTIVE DATE

This Contract shall become effective upon the date the Contractor receives notification in writing of its ratification by the President of Equatorial Guinea.

IN WITNESS WHEREOF, the Parties have executed this Contract in **three (3)** originals in the Spanish language and **three (3)** originals in the English language. In the event of any conflict, the Spanish version shall prevail.

**THE REPUBLIC OF EQUATORIAL GUINEA
THE MINISTRY OF MINES AND HYDROCARBONS**

Signature: /s/ Gabriel M. Obiang Lima
Name: H.E Señor Don Gabriel M. Obiang Lima
Title: Minister of Mines and Hydrocarbons

THE NATIONAL COMPANY

Signature: /s/ ANTONIO OBURU ONDO
Name: Don ANTONIO OBURU ONDO
Title: Director General

**THE COMPANY
KOSMOS ENERGY EQUATORIAL GUINEA**

Signature: /s/ Andrew Inglis
Name: Andrew Inglis
Title: President

**ANNEX A
CONTRACT AREA**

This Annex is an integral part of this Contract between the Republic of Equatorial Guinea and the Contractor.

Upon the Effective Date, the initial Contract Area covers an area deemed equal to 2495 (**two thousand four hundred ninety-five**) square kilometres (km²) or **249,500 (two hundred forty-nine thousand five hundred)** hectares (Ha) for the purposes of Article 11.4.

The Contract Area is described on the map in Annex B. The points indicated on such map are defined below, by reference to the Greenwich meridian and their geographic coordinates:

Point	Latitude	Longitude
A	2° 00' 00.00"N	9° 15' 00.00"N
B	2° 00' 00.00"N	9° 45' 00.00"N
C	1° 51' 08.50"N	9° 45' 00.00"N
D	1° 30' 00.00"N	9° 34' 05.84"N
E	1° 30' 00.00"N	9° 25' 32.39"N
F	1° 32' 42.87"N	9° 23' 21.76"N
G	1° 33' 16.57"N	9° 21' 11.02"N
H	1° 36' 04.82"N	9° 20' 46.04"N
I	1° 36' 04.84"N	9° 18' 44.79"N
J	1° 36' 30.41"N	9° 18' 06.90"N
K	1° 32' 50.91"N	9° 15' 00.00"N
AREA=2495 KM2 (249,581Ha)		

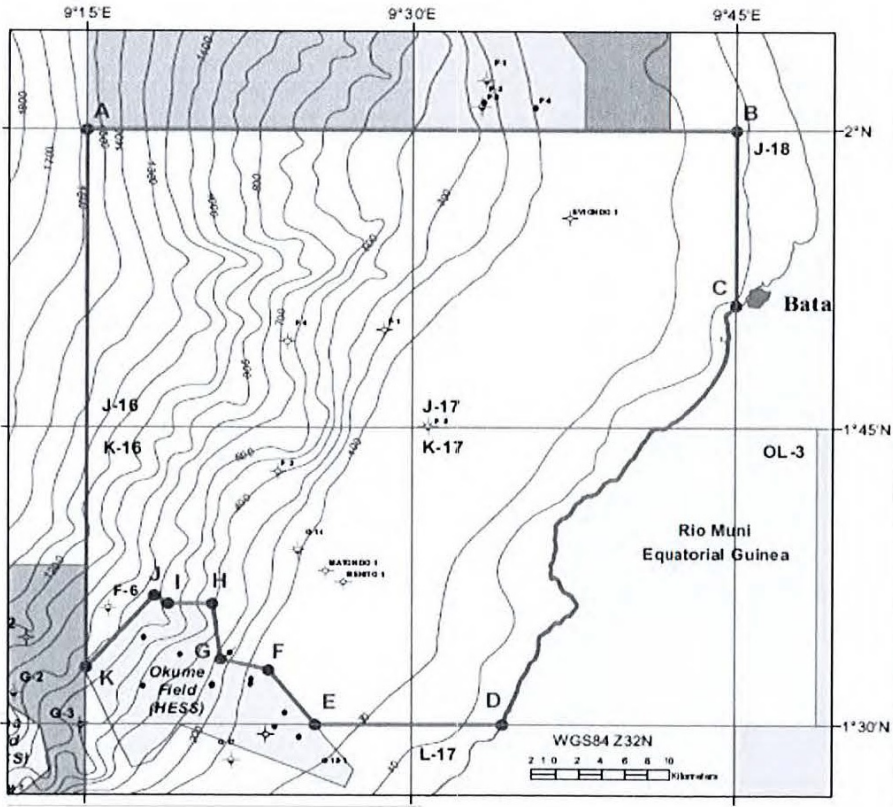
Block 21
WGS84 UTIV1 32S
2535.708 sqkm

X	Y
527802.00	10221063.11
583408.12	10221080.05
583415.30	10204759.92
563215.84	10165803.66
547350.05	10165800.05
543312.68	10170800.02
539272.75	10171834.02
538500.03	10176999.77
534753.62	10176999.79
533582.77	10177784.70
527808.75	10171044.54

ANNEX B MAP OF THE CONTRACT AREA

This Annex is attached to this Contract between the Republic of Equatorial Guinea and the Contractor and forms an integral part of the same.

This map is included for illustrative purposes only and in the event of any discrepancies or conflict, the Contract Area shall be defined by the geographical co-ordinates specified in Annex A.



ANNEX C
ACCOUNTING PROCEDURE

This Annex is an integral part of the Contract between the Republic of Equatorial Guinea and the Contractor.

ARTICLE 1
GENERAL PROVISIONS

1.1 PURPOSE

The object of this Accounting Procedure is to establish equitable criteria and methods of calculation and accounting applicable to the provisions of the Contract, and in particular when:

- (a)classifying and defining Petroleum Operations Costs; and
- (b)prescribing the manner of preparing and submitting the financial statements of the Contractor in accordance with accounting principles in effect in Equatorial Guinea.

1.2 INTERPRETATION

For the purposes of this Accounting Procedure, the terms used herein and which are defined in the Contract shall have the same meaning when used in this Accounting Procedure. In the event of any discrepancy or conflict between the provisions of this Accounting Procedure and any other provisions of the Contract, the provisions of the Contract shall prevail.

1.3 ACCOUNTING RECORDS AND REPORTS

1.3.1 In accordance with the provisions of Article 16.1 of the Contract, the Contractor shall maintain in its office in Equatorial Guinea original, complete, true and correct accounts, books and records of the Production and disposition of Hydrocarbons, and all costs and expenses under the Contract, as well as all other records and data necessary or proper for the settlement of accounts in accordance with the laws of Equatorial Guinea, generally accepted accounting procedures and generally accepted practice in the international petroleum industry and pursuant to the chart of accounts agreed pursuant to Article 1.3.2 below.

1.3.2 Within sixty (60) days from the Effective Date, the Contractor shall submit to and discuss with the Ministry a proposed outline for the chart of accounts and the books, records and reports in accordance with generally accepted standards and consistent with normal petroleum industry practices and procedures.

Within sixty (60) days of receiving the above proposal, the Ministry shall either provide notice of its approval of the proposal, or shall request revisions of such chart of accounts in writing.

Within one hundred and eighty (180) days after the Effective Date, the Contractor and the Ministry shall agree on the outline of the chart of accounts, books, records, and reports which shall describe the basis of the accounting system and procedures to be developed and used in accordance with this Accounting Procedure. Following such agreement, the Contractor shall immediately prepare and provide the Ministry with formal copies of the detailed and complete chart of accounts and manuals related to the

procedures, and a list of the data and records to be accounted for, recorded, reported and to be followed under the Contract.

1.3.3 In addition to the generality of the foregoing, the Contractor shall submit to the Ministry, at regular intervals, statements relating to the Petroleum Operations, including, but not limited to, the following:

(a) monthly statement of Production;

(b) quarterly statement of value of Production and pricing;

(c) statement of Petroleum Operations Costs;

(d) annual statement of Petroleum Operations Cost not yet recovered;

(e) statement of Production sharing;

(f) annual end-of-year statement;

(g) Annual Budget tracking statement;

(h) Annual statement of tangible goods subject to depreciation; and

(i) Quarterly, the state of goods, materials and properties which are anticipated to be transferred to the State within three months of said report, due to the full recovery of its cost.

1.3.4 All reports and statements shall be prepared in accordance with the Contract, the laws of Equatorial Guinea and any regulations thereunder and in accordance with generally accepted practice of the international petroleum industry.

1.3.5 Within sixty (60) days after the Calendar Year, the Contractor shall submit to the Ministry the execution of the budgets as well as the annual accounts (the balance sheet, the cash flow statement and the income statement) and the schedule of amortizations, attaching for the report of internal audit for reliability of said information.

1.4 LANGUAGE AND UNIT OF ACCOUNT

Unless otherwise agreed all accounts, records, books and reports shall be prepared and maintained in Spanish and English and shall be denominated in Dollars. Additionally, Contractor may maintain accounts and records in other languages and currencies for information purposes only.

1.5 VERIFICATION AND AUDIT RIGHTS OF THE STATE

1.5.1 When the Ministry exercises its right of audit under Article 16.3 of the Contract, it shall provide notice to the Contractor, at least sixty (60) days in advance regarding such audit, which shall take place during normal business hours. The Contractor shall make available to the Ministry all accounts, books, records, invoices, cash vouchers, debit notes, price lists or any other documentation relating to Petroleum Operations. Furthermore, the auditors shall have the right, in connection with such audit, to visit and inspect at

reasonable times any of the Contractor's sites, plants, facilities, warehouses and offices which affect Petroleum Operations directly or indirectly and to question personnel associated with those Operations.

The Contractor shall endeavor to provide records and accounts from any of its 62 Affiliates or other Persons necessary to support charges from them. If an Affiliate or any other Person considers such information confidential or proprietary, the Ministry may select an internationally recognized independent firm of public accountants to carry out an audit, subject to the approval of the Affiliate or other Person, such approval not to be unreasonably withheld or delayed. If the Ministry does not conduct an audit within the time stipulated in accordance with Article 16.3 of the Contract, the Contractor's accounts, books and records shall be deemed correct and final.

- 1.5.2 Any audit exceptions shall be made in writing and notified to the Contractor within ninety (90) days of completion of the corresponding audit. Failure to give such exception by the Ministry shall be deemed to be an acknowledgement of the accuracy of the Contractor's books and accounts.
- 1.5.3 If the Contractor fails to respond to any notice of exception under Article 1.5.2 within ninety (90) days of receipt of such notice, the results of the audit will be considered valid and accepted by the Contractor. After the said period of time the Ministry's exception shall prevail.
- 1.5.4 Any adjustments resulting from an audit shall be promptly applied to the Contractor's accounts; any adjustments to payments due shall also be effected promptly.
- 1.5.5 If the Contractor and the Ministry are unable to reach final agreement on the proposed audit adjustments they shall resolve the dispute in accordance with the provisions of Article 16.3.3 of the Contract.

When audit related issues are still outstanding, the Contractor shall preserve any relevant documents and allow the Ministry access to them until the issue is finally resolved.

1.6 CURRENCY EXCHANGE RATES

The exchange rate shall be determined monthly, based on the arithmetic average of the closing buy and sell rates for the Dollar against the CFA (Communauté Financière Africaine or African Financial Community) currency unit for the month, as published by the Bank of Central African States (BEAC).

The exchange rate of the preceding calendar month shall be used for exchange transactions and for the purpose of determining the counter value of Dollars in the Equatoguinean currency unit for the next month.

1.7 ACCOUNTING BASIS

All books and accounts shall be prepared on an accrual accounting basis. Revenues shall be posted to the accounting period in which they were earned, without any need to recognize whether a given transaction results in a disbursement or cash receipt, Expenses and costs shall be regarded as incurred, in the case of physical items, during the

accounting period in which the relevant title is transferred to the Contractor and in the case of services during the accounting period in which such services are rendered.

1.8 REVIEW OF ACCOUNTING PROCEDURE

By mutual agreement between the Ministry and the Contractor, this Accounting Procedure may be revised periodically by a document in writing executed by the Parties.

ARTICLE 2
GENERAL CLASSIFICATION OF PETROLEUM COSTS

All costs related to Petroleum Operations shall be classified in accordance with their end use. Classification criteria shall be included in the approved Annual Work Program and Annual Budget for the Calendar Year in which the expenditure is made. All Petroleum Operations Costs shall be classified, defined and allocated as set forth below.

2.1 EXPLORATION COSTS

Any and all direct, general and administrative costs incurred during Hydrocarbon Exploration and Appraisal activities in an area which is part of the Contract Area, including but not limited to:

- (a) aerial, geophysical, geochemical, palaeontological, geological, topographical and seismic surveys and studies and their interpretation;
- (b) core hole drilling;
- (c) any labor, materials, supplies, and services used in drilling Exploration Wells and Appraisal Wells;
- (d) any facilities used solely in support of the purposes described in paragraphs (a), (b) and (c) above, including access roads and acquired geological and geophysical data, all separately identified;
- (e) any other cost incurred in the Exploration and Appraisal of Hydrocarbons after the Effective Date but prior to the date of approval of a Development and Production Plan with respect to the relevant Field and not covered under Articles 2.2, 2.3 and 2.4 below; and
- (f) the costs incurred prior to the Effective Date which both Parties have agreed to, including the cost of the Sea Bed Logging, 2D, 3D speculative data and other costs of complying with Article 3.1.1 of the Contract.

2.2 DEVELOPMENT AND PRODUCTION COSTS

Development and Production Costs are all approved direct, general and administrative costs incurred during Development and Production activities, including, but not limited to, the following:

- (a) Wells defined as Development Wells for purposes of producing from a Commercial Field, whether such Wells turn out to be dry or productive by nature, and drilling Wells for the injection of water or gas to enhance Hydrocarbon recovery;
- (b) completing 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

Development Well or a Well for the injection of water or gas to enhance Hydrocarbon recovery;

(c)transportation and installation of tank storage facilities, pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms, export terminals and piers, harbors and related facilities, and access roads for development activities; and

(d)engineering and design studies for facilities referred to under paragraph (c) above.

2.3 OPERATING OR PRODUCTION COSTS

Any and all general, administrative and service costs, and any other Petroleum Operations Costs incurred from the approval date of any relevant Development and Production Plan, and from the commencement of funding of the Reserve Fund.

2.4 COMMERCIALIZATION COSTS

Any and all costs incurred for exporting Hydrocarbons to the Delivery Point.

2.5 ALLOCATION OF GENERAL AND ADMINISTRATIVE COSTS

With the exception of general and administration costs incurred in Equatorial Guinea directly assignable to the Annual Budget, the general and administration expenditures incurred by the Contractor outside of national territory with respect to Petroleum Operations shall be determined in accordance with the sliding scale set out below, based on total Petroleum Operations Costs actually incurred during the Year and duly justified by the Contractor and approved by the Ministry:

(a)Prior to First Oil (commercial Production):

Up to \$5,000,000 Dollars	4%
Next \$10,000,000 Dollars	3%
Next \$15,000,000 Dollars	1.5%
Balance	0.5%

(b)After First Oil (first commercial Production):

Up to \$5,000,000 Dollars	5%
Next \$10,000,000 Dollars	2%
Next \$15,000,000 Dollars	1.5%
Balance	1%

2.6 Except as provided otherwise in the Contract to the contrary, approved Petroleum Operation Costs described in Articles 2.1 to 2.5 of this Accounting Procedure, will be recoverable by the Contractor in accordance with Article 7.2 of the Contract.

2.7 INTEREST RECOVERY

Subject to and in accordance with the Hydrocarbons Law, any interest on loans obtained by the Contractor from Affiliated Companies or from Persons other than Affiliated Companies for investments in Petroleum Operations shall be recoverable and at a rate of interest not greater than LIBOR plus 3.5% as a Petroleum Operations Cost and shall be deductible for tax purposes, when estimating any Income Tax liabilities of the Contractor provided that the rate of interest and the terms of repayment have been approved by the Ministry in advance.

2.8 NON RECOVERABLE COSTS

Costs that are not recoverable as Petroleum Operations Costs shall include the following:

- (a) signature bonus paid by the Contractor;
- (b) any Discovery bonus paid by the Contractor;
- (c) any Production bonus paid by the Contractor;
- (d) annual surface rentals paid to the State;
- (e) interests on loans as provided by Article 2.7 of this Accounting Procedure;
- (f) any unapproved over-expenditures that exceed the limits of Article 4.4 of this Contract;
- (g) any payments made to the State for failure to fulfill the minimum Exploration work obligations pursuant to Article 3 of the Contract;
- (h) any fines and sanctions incurred for infringing the laws and regulations of Equatorial Guinea;
- (i) any donation to the State or other similar expenses unless otherwise agreed;
 - (i) the State's audit and inspection expenses incurred as a result of the absence of original documents in the Contractor's offices in Equatorial Guinea;
- (j) any sanction imposed on the Contractor under the Hydrocarbons Law or otherwise; and
- (k) costs related to the assignment from the Contractor to any of its Affiliates or other Persons.

2.9 INSURANCE AND CLAIMS

Petroleum Operations Costs shall include premiums paid for insurance required [and approved] in accordance with the Contract. All expenses incurred and paid by the Contractor in respect of any insurance claim, less any costs recovered by the Contractor by means of insurance claims, shall be included and recoverable as Petroleum Operations Costs, provided these expenses are not incurred as a consequence of their being not recoverable under a policy of insurance of the Contractor, in which case they shall not be recoverable, provided the Contractor has duly applied the corresponding 'withholding tax in accordance with the Tax Law.

2.10 INVENTORY ACCOUNTING

Any costs of articles bought for inventory will be recoverable as from the Calendar Year in which such materials and equipment have been used in the Petroleum Operations in the Contract Area.

ARTICLE 3
OTHER CLASSIFICATION OF COSTS AND EXPENDITURES

(Accounting Methods For Estimating Any Income Tax Liability)

During any Calendar Year in which commercial Production occurs, the Petroleum Operations Costs shall include the following:

3.1 CAPITAL COSTS

Any current Calendar Year capital costs shall be classified as Tangible (subject to depreciation) and Intangible.

3.1.1 TANGIBLE CAPITAL COSTS

Tangible Capital Costs are such costs that are not intangible capital costs incurred for the purchase of any assets related to the Petroleum Operations that normally have a useful life of more than one (1) Year; such assets shall be subject to annual depreciation pursuant to the provisions set forth in this Accounting Procedure. Tangible Capital Costs include the following:

- (a)for Development Wells: the costs of completion materials and equipment (downhole equipment, fixed production tubing, production packers, valves, wellhead equipment, subsoil elevation equipment, pumping rods, surface pumps, discharge cables, collection equipment, delivery lines, fixed Christmas tree and valves, oil and gas pipelines, fixed materials and equipment, piers, anchors, buoys, Hydrocarbon treatment facilities and equipment, secondary recovery systems, reinjection compressors, water pumps and their pipes);
- (b)for any purchase of goods and equipment: the actual cost of the asset (excluding transportation), the cost for construction of platforms outside of the Contract Area, the cost of power generators and facilities onshore;
- (c)for the purchase of moveable goods: automotive machinery (vehicles, tractors, tow trucks, tools, flatbeds, etc.), construction machinery and equipment (furniture, office equipment and other equipment);
- (d)for construction purposes: the building cost of housing and residential facilities, offices, warehouses, workshops, power plants, storage facilities and access roads for development activities, the cost of piers and anchors, treatment plants and machinery, secondary recovery systems, gas plants and steam systems; and
- (e)drilling and Production facilities and platforms.

With the exception of land purchased by the Contractor, all and any goods mentioned herein shall be depreciated in accordance with Article 3.2 of this Accounting Procedure.

3.1.2 INTANGIBLE CAPITAL COSTS

Intangible capital costs shall be such ongoing costs incurred for the purchase of moveable goods and services directly related to the Petroleum Operations and they shall not be depreciated, but shall be tax deductible as incurred. Such costs/expenses shall include the following:

- (a) costs of aerial magnetic, aerial gravimetric, topographic, geological, geophysical and geochemical surveys, interpreting and reinterpreting technical data costs, Exploration labor and similar costs;
- (b) costs of drilling Exploration Wells and Appraisal Wells: all costs of services rendered for drilling Exploration and Appraisal Wells, chemical products, rental costs (for helicopters, flatbeds, ships, tow barges, etc.) transportation, storage facilities, accommodation, technical services for mud control, Well geology, directional Well drilling, divers, mud control, well geology testing, cementing and similar costs;
- (c) costs of drilling Development Wells, such as rig and platform mobilization and demobilization, rig and platform drilling contracts and leases, platform and infrastructure installations labor, fuel, water, conductors, drill bits, drill pipe, equipment rental, production testing equipment, Christmas tree for production testing, mud and its components, chemical products, rental costs (for helicopters, flatbeds, ships, tow barges, etc.), transportation, storage facilities, accommodation, technical services for mud control, Well placement geology, directional drilling Wells, divers, production and appraisal tests, completion and supervision;
- (d) costs of acquisition or purchase of goods and services such as transportation costs, operation costs, equipment checks, costs of on-site installation, maintenance costs and fuel costs;
- (e) general services (electric logs, vertical seismic profile (VSP), mud control, core sampling, Well geology tests, cementing, production tests, supervision and similar costs), delineation services, any heavy engineering machinery leasing, and other expenses incurred abroad;
- (f) materials, reconstruction of access and other roads, and other intangible goods for construction, public services and construction support; and
- (g) other Exploration Costs, support or temporary facilities with a useful life of less than one (1) Year.

3.2 DEPRECIATION OF TANGIBLE CAPITAL COSTS

Depreciation will be estimated from the Calendar Year in which the asset is placed into service, with a full Year's depreciation allowed for the initial Calendar Year. For the purpose of estimating responsibility regarding Income Tax, depreciation shall be determined using a five (5) Year straight-line method.

3.3 NON-CAPITAL COSTS

Non-capital costs shall be classified as follows:

3.3.1 CONTRACTOR'S DEDUCTIBLE COSTS

For Income Tax purposes, the Contractor's deductible costs shall include the following:

- (a) general and administrative expenses (personnel salaries, insurance premiums, labor, technical office services and other similar services, material services, public relations, expenses abroad related with Petroleum Operations in Equatorial Guinea, determined in accordance with Article 2.5 of this Accounting Procedure);
- (b) Intangible Capital Costs;
- (c) labor, materials and services indirectly used in operations of Wells, feasibility studies for production of Crude Oil or Natural Gas fields, secondary recovery operations, storage operations, handling, transportation and delivery, Natural Gas Well operations, transportation and delivery of Natural Gas, services for Natural Gas treatment, environmental protection measures and any other maintenance activities indirectly related to Petroleum Operations.
- (d) Contributions to the Reserve Fund.

3.3.2 CONTRACTOR'S NON-DEDUCTIBLE COSTS

For Income Tax purposes, the following costs of the Contractor shall be non-deductible:

- (a) signature bonus paid by the Contractor;
- (b) any Discovery bonus paid by the Contractor;
- (c) any Production bonus paid by the Contractor;
- (d) annual surface rentals paid to the State;
- (e) any unapproved over-expenditures that exceed the limits of Article 4.4 of the Contract;
- (f) interest on loans as provided in Article 2.7 of this Accounting Procedure;
- (g) any payment made to the State for failure to fulfill the minimum Exploration work obligations pursuant to Article 3 of the Contract;
- (h) any fines and sanctions incurred for infringing the laws and regulations of Equatorial Guinea;
- (i) sums that exceed the set limits with regard to the depreciation of tangible assets;
- (j) any donation to the State and other similar expenses unless otherwise agreed;

(k)the State's audit and inspection expenses incurred by the absence of original documents in the office of the Contractor in Equatorial Guinea;

(l)any sanction imposed on the Contractor under the Hydrocarbons Law or otherwise; and

(m)costs relating to the assignment from the Contractor to any of its Affiliates or other Persons.

ARTICLE 4
BASES OF INCOME TAX CALCULATION

4.1 PRACTICAL DETERMINATION OF THE TAXABLE BASE

In order to determine the taxable base and for the purposes of calculating the Contractor's responsibility regarding annual Income Tax liability, the following will be taken into account:

Taxable base = [()] — [(2)-1-(3)+(4)]+[(5)+(6)+(7)+(8)] }.

- (1) Annual gross revenues
- (2) Royalties
- (3) State's share of net Hydrocarbons
- (4) State's right to a share of Production based on its carried or paid interest in the Contract
- (5) Deductible intangible capital costs
- (6) Depreciation of tangible capital costs
- (7) Deductible non-capital costs
- (8) Losses authorized and certified by the Ministry, corresponding to previous Calendar Years

4.2 PRINCIPLE OF TAX TREATMENT OF A FINANCIAL YEAR DEFICIT

In case of any deficit during a Calendar Year, such deficit will be regarded as relating to the following Calendar Year and deducted from the profit made during said Calendar Year; if such profit is not sufficient for the deduction to be made in full, the excess (certified by the Ministry) of the deficit will be successively carried over to the profits of the following Calendar Year in accordance with the Tax Laws.

ARTICLE 5
RECORDS AND VALUATION OF ASSETS

5.1 RECORDS

The Contractor shall keep correct, accurate and detailed records of all property used for Petroleum Operations under the Contract in accordance with generally accepted practice of the international petroleum industry.

5.2 INVENTORIES DURING INITIAL EXPLORATION OPERATIONS

Prior to the date of approval of the first Annual Work Program and Annual Budget submitted pursuant to Article 4 of the Contract, the Contractor shall prepare an initial annual schedule (to be included as part of the material statement required under Article 6 of this Accounting Procedure) of all property to be used for Petroleum Operations and its value as shown in the Contractor's books.

5.3 INVENTORIES IN SUBSEQUENT OPERATIONS

Subsequent to the date of approval of the Annual Work Program and Annual Budget pursuant to Article 4 of the Contract, inventories of property used in Petroleum Operations under the Contract shall be taken at regular intervals but at least once per Calendar Year.

The Contractor shall give the Ministry at least thirty (30) days prior notice of its intention to take such inventory and the Ministry shall have the right to be represented when such inventory is taken. The Contractor shall clearly state the principles upon which valuation of the inventory has been based and shall provide to the Ministry a full report on such inventory within sixty (60) days of the completion of the inventory.

ARTICLE 6
STATEMENTS AND REPORTS

6.1 FINANCIAL STATEMENTS AND TAX REPORTS TO BE SUBMITTED BY CONTRACTOR

The Contractor shall present detailed accounts showing all Petroleum Operations Costs incurred by the Contractor over the last Calendar Year. Such accounts must be submitted to the Ministry within ninety (90) days from the end of such Calendar Year and shall be certified by an independent auditor accepted by the Parties. Such period may be extended by an additional thirty (30) days at the Contractor's request and with the approval of the Ministry; such consent shall not be unreasonably delayed or withheld.

Income Tax returns shall be duly completed with enough detailed information as to allow a thorough understanding by the Tax Administration of Equatorial Guinea, including:

- (a) depreciation details;
- (b) fixed assets information;
- (c) Production and export statistics and details;
- (d) all tax related reports provided for in the Contract; and
- (e) detailed information on deductible expenses for estimating tax liabilities in accordance with the Tax Law.

6.2 PRODUCTION STATEMENT

Without prejudice to the rights and obligations of the Parties under the Contract, as from the initial date of commencement of commercial Production from the Contract Area, the Contractor shall submit a monthly Production statement to the Ministry showing the following information, which shall be separated by each Commercial Field as well as in aggregate for the Contract Area:

- (a) the quantity of Crude Oil produced and saved;
- (b) the quality characteristics of such Crude Oil produced and saved;
- (c) the quantity of Natural Gas produced and saved;
- (d) the quality characteristics of such Natural Gas produced and saved;
- (e) the quantities of Crude Oil and Natural Gas used for the purposes of carrying out drilling and Production operations;
- (f) the quantities of Crude Oil and Natural Gas unavoidably lost;
- (g) the quantities of Natural Gas flared and vented;

- (h) the size of Hydrocarbon stocks held at the beginning of the calendar month in question;
- (i) the size of any Hydrocarbon stocks held at the end of the calendar month in question;
- (j) the quantities of Natural Gas re-injected into the Hydrocarbon reservoir; and
- (k) the quantities of Hydrocarbons delivered and sold.

All quantities shown in such statement shall be expressed in both volumetric terms (barrels of Crude Oil [bbls] and cubic meters of Natural Gas [M³]) and in weight (metric tons [MT] and long tons [LT]).

The Production statement for each calendar month, and the technical report on each Well shall be submitted to the Ministry no later than a period of fifteen (15) days after the end of such calendar month.

6.3 VALUE OF PRODUCTION AND PRICING STATEMENT

For the purposes of Article 10 of the Contract, the Contractor shall prepare a Quarterly statement providing details of the value of Hydrocarbons produced, saved and sold during each Quarter.

The value of Production statement shall include the following information:

- (a) the quantities, prices and income received by the Contractor as a result of sales of Hydrocarbons to third parties during the Quarter in question;
- (b) the quantities, prices and income received by the Contractor as a result of sales of Hydrocarbons, other than sales to third parties, during the Quarter in question;
- (c) the value of any stocks of Hydrocarbons at the end of the Quarter preceding the Quarter in question;
- (d) the value of any stocks of Hydrocarbons at the end of the Quarter in question; and
- (e) the information available to the Contractor concerning the prices of competitive Crude Oils, insofar as required for the purposes of Article 10 of the Contract.

6.4 PETROLEUM OPERATIONS COSTS STATEMENT

6.4.1 Quarterly Statement

The Contractor shall prepare a Quarterly Petroleum Operations Costs statement showing those Petroleum Operations Costs incurred by the Contractor with respect to the Contract Area, as provided under this Accounting Procedure.

Any Development and Production Costs shall be separately identified for each Commercial Field, if such is the case, and the Contractor shall specify the basis of

allocation of shared costs. If the Ministry is not satisfied with the itemization shown within the categories, the Contractor shall provide a more detailed breakdown.

Any Exploration Costs shall be shown separately.

The Petroleum Operations Costs statement for each Quarter shall be submitted to the Ministry no later than a period of thirty (30) days after the end of each Quarter.

6.4.2 Annual Statement

The Contractor shall prepare an annual Petroleum Operations Costs Statement containing the following information for the purposes of Articles 9 and 16 of the Contract:

- (a) Petroleum Operations Costs not yet recovered and carried forward from the previous Calendar Year, if any;
- (b) Petroleum Operations Costs for the Calendar Year in question;
- (c) the quantity and value of Hydrocarbon Production taken by the Contractor as Cost Recovery Oil under the provisions of Article 7.2 of the Contract for the Calendar Year in question; and
- (d) Petroleum Operations Costs not yet recovered at the end of the Calendar Year in question.

The annual Petroleum Operations Costs Statement shall be submitted to the Ministry no later than a period of forty-five (45) days following the end of each Calendar Year.

6.5 PRODUCTION SHARING STATEMENT

Within sixty (60) days following the end of each Calendar Year, the Contractor shall submit to the Ministry with respect to such Calendar Year a Production sharing statement containing the following information for the purposes of Article 7 of the Contract:

- (a) the value of all sales of Hydrocarbons made by the Contractor as from the Effective Date of the Contract up to the end of the previous Calendar Year;
- (b) the value of all sales of Hydrocarbons made by the Contractor during the Calendar Year in question;
- (c) the total of (a) and (b) above at the end of the Calendar Year in question;
- (d) the accumulated Petroleum Operations Costs as from the Effective Date of the Contract up to the end of the previous Calendar Year;
- (e) the Petroleum Operations Costs for the Calendar Year in question;
- (f) the total of (d) and (e) above at the end of the Calendar Year in question;
- (g) quantity and value of the 'Contractor's share in Hydrocarbons; and

(h) quantity of State's share of Hydrocarbons and its value if sold by the Contractor.

6.6 ANNUAL END-OF-YEAR STATEMENT

No later than 31 March of each Calendar Year, the Contractor shall submit to the Ministry an end-of-year statement, and statement of accounts corresponding to the previous fiscal Year, and which shall contain the following information:

(a) accounting conciliation of the expenses against the approved Annual Budget;

(b) accounting conciliation of the expenses with the recoverable costs; and

(c) accounting conciliation of the expenses with the deductible costs.

6.7 ANNUAL BUDGET STATEMENT

The Contractor shall submit to the Ministry an Annual Budget Statement pursuant to the provisions of Article 4 of the Contract. Such statement shall distinguish between budgeted Exploration Costs and Development and Production Costs by Quarter and shall correspond to the individual items of Petroleum Operations included in the Annual Work Program.

ANNEX D
PARENT COMPANY GUARANTEE

This Annex is an integral part of this Contract between the Republic of Equatorial Guinea and the Contractor.

THIS GUARANTEE is made on this *[insert day]* of *[insert month and year]*

BETWEEN:

- (1) **[THE GUARANTOR]**, a company organized and existing under the laws of *[insert jurisdiction]*, and having its registered office at *[insert address]* (the Guarantor); and
- (2) **THE REPUBLIC OF EQUATORIAL GUINEA** (the **State**), represented for the purposes of this Guarantee by the Ministry of Mines and Hydrocarbons (the **Ministry**).

WHEREAS, the Guarantor is the parent entity of *[insert name of Company]* organized and existing under the laws of *[insert jurisdiction]*, and having its registered office at *[insert address]* (the Company);

WHEREAS, the Company has entered into a production sharing contract (the **Contract**) with, among others, the State in respect of the Contract Area;

WHEREAS, the Company has a Participation Interest under the Contract;

WHEREAS, the State desires that the execution and performance of the Contract by the Company be guaranteed by the Guarantor and the Guarantor desires to furnish this Guarantee as an inducement to the State to enter into the Contract and in consideration of the rights and benefits inuring to the Company thereunder; and

WHEREAS, the Guarantor accepts that it fully understands and assumes the contractual obligations under the Contract of the Company.

NOW THEREFORE, it is hereby agreed as follows:

1. Definitions and Interpretation

All capitalized words and expressions in this Guarantee have the same meaning as in the Contract, unless otherwise specified to herein. Article 30 of the Contract is incorporated herein, *mutatis mutandis*, by this reference.

2. Scope of this Guarantee

The Guarantor hereby guarantees to the State the timely payment and performance of any and all indebtedness and obligations whatsoever of the Company to the State arising under or in relation to the Contract, including the payment of any amounts required to be paid by the Company to the State when the same become due and payable; provided, however, that the liability of the Guarantor to the State hereunder shall not exceed the lesser of:

- (a) the liabilities of the Company to the State;
- (b) [insert amount] Dollars (\$[insert amount]) during the Exploration Period, as may be extended in accordance with the Contract; and
- (c) [insert amount] Dollars (\$[insert amount]) during the Development and Production period.

3. Waiver of Notice, Agreement to All Modifications

The Guarantor hereby waives notice of the acceptance of this Guarantee and of the state of indebtedness of the Company at any time, and expressly agrees to any extensions, renewals, modifications or acceleration of sums due to the State under the Contract or any of the terms of the Contract, all without relieving the Guarantor of any liability under this Guarantee.

4. Absolute and Unconditional Guarantee

The obligations of the Guarantor shall be an absolute, unconditional and (except as provided in Article 2 above) unlimited guarantee of payment and performance to be performed strictly in accordance with the terms hereof, and without respect to such defences as might be available to the Company.

5. No Discharge of Guarantor

The obligations of the Guarantor hereunder shall not in any way be released or otherwise affected by: a release or surrender by the Company of any collateral or other security it may hold or hereafter acquire for payment of any obligation hereby guaranteed; by any change, exchange or alteration of such collateral or other security; by the taking of or the failure to take any action with respect thereto either against the Company or against the Guarantor; or by any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

6. No Prior Action Required

The State shall not be required to make demand for payment or performance first against the Company or any other Person or to proceed against any collateral or other security which might be held by the State or otherwise to take any action before resorting to the Guarantor hereunder.

7. Cumulative Rights

All rights, powers and remedies of the State hereunder shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to the State by law or otherwise.

8. Continuing Guarantee

This Guarantee is intended to be and shall be considered as a continuing guarantee of payment and performance and shall remain in full force and effect for so long as the

Contract and any amendments thereto shall remain outstanding or there shall exist any liability of the Company to the State thereunder.

9. Notice of Demand

Upon default in the performance of any of the obligations of the Company guaranteed hereunder, the State or its duly authorized attorney may give written notice to the Guarantor at its principle office in [insert jurisdiction] of the amount due, and the Guarantor, within a period of ten (10) Business Days, will make, or cause to be made, payment of such amount as notified, in Dollars, at such bank or other place in [insert jurisdiction] as the State shall designate and without set-off or reduction whatsoever of such payment in respect of any claim the Parent Company or the Company may then have or thereafter might have.

10. Assignment

The Guarantor shall not in any way effect, or cause or permit to be effected, the assignment or transfer of any of its obligations hereunder without the express written consent of the State.

11. Subrogation

Until all indebtedness hereby guaranteed has been paid in full, the Guarantor shall have no right of subrogation to any security, collateral or other rights which may be held by the State.

12. Payment of Expenses

The Guarantor shall pay to the State all reasonable costs and expenses, including attorney's fees, incurred by it in collecting or compromising any indebtedness of the Company hereby guaranteed or in enforcing the Contract or this Guarantee.

13. Governing Law and Arbitration

This Guarantee shall be governed by and interpreted in accordance with the laws of Equatorial Guinea.

All disputes or claims arising out of or relating to this Guarantee shall be finally settled by arbitration, in accordance with the procedure set forth in the Contract; however, if in addition to the arbitration hereunder an arbitration has also been commenced under the Contract with respect to obligations hereby guaranteed, the arbitration commenced hereunder shall be consolidated with the arbitration commenced under the Contract and the arbitral body appointed hereunder shall be the same arbitral body appointed pursuant to the Contract. The arbitration shall be conducted in the Spanish and English languages and the decision shall be final and binding on the parties.

14. Severability of Provisions

In the event that for any reason any provision hereof may prove illegal, unenforceable or invalid, the validity or enforceability of the remaining provisions hereof shall not be affected.

15. Confidentiality

The Guarantor agrees to treat this Guarantee and the Contract as confidential and shall not disclose, willingly or unwillingly, to any third party, except to the extent required by law, the terms and conditions hereof or thereof without the prior written consent of the State.

IN WITNESS WHEREOF, the Guarantor and the Company execute this Guarantee this *[insert day]* day of *[insert month and year]*,

[GUARANTOR]

By: _____

Title: _____

THE REPUBLIC OF EQUATORIAL GUINEA

THE MINISTRY OF MINES AND HYDROCARBONS

By: _____

Title: _____

PRODUCTION SHARING CONTRACT
BETWEEN
THE REPUBLIC OF EQUATORIAL GUINEA
AND
GUINEA ECUATORIALDE PETROLEOS
AND
KOSMOS ENERGY EQUATORIAL GUINEA

FOR
BLOCK "S"

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THIS PRODUCTION SHARING CONTRACT is dated this _____ day of _____ 2017

BETWEEN:

- (1) **THE REPUBLIC OF EQUATORIAL GUINEA** (hereinafter referred to as the State), represented for the purposes of this Contract by the Ministry of Mines and Hydrocarbons, represented for purposes of its execution by His Excellency Mr. Gabriel Mbagha OBIANG LIMA, the Minister;
- (2) **GUINEA ECUATORIAL DE PETRÓLEOS** (hereinafter referred to as the **National Company**), acting in its own name and legal right for the purposes of this Contract and represented for purposes of its execution by Mr. Antonio OBURU ONDO, in his capacity as Director General; and
- (3) **KOSMOS ENERGY EQUATORIAL GUINEA**, a company organized and existing under the laws of the Cayman Islands, under company registration number **WT-269135** and having its registered office at do Circumference (Cayman), P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KY1-1209, Cayman Islands (hereinafter referred to as Company), represented for the purposes of this Contract by **Andrew G. Inglis**, in his capacity as **President**.

RECITALS:

- (A) **WHEREAS**, all Hydrocarbons existing within the territory of the Republic of Equatorial Guinea, as set forth in the Hydrocarbons Law, are national resources owned exclusively by the State;
- (B) **WHEREAS**, the State wishes to promote the development of Hydrocarbon deposits within the Contract Area and the Contractor desires to associate itself with the State with a view to accelerating the Development and Production of Hydrocarbons within the Contract Area;
- (C) **WHEREAS**, the Contractor has the financial ability, technical competence and professional skills necessary to carry out Petroleum Operations in accordance with this Contract and good oil field practices; and
- (D) **WHEREAS**, the Parties desire to enter into this Contract in accordance with the Hydrocarbons Law, which allows for agreements to be entered into between the State and foreign investors in the form of a production sharing contract, through direct negotiation or by international public tender.

NOW THEREFORE, in consideration of the undertakings and mutual covenants contained herein, the Parties agree as follows:

Article 1
DEFINITIONS AND SCOPE

1.1 Definitions

Except where the context otherwise indicates or as defined in the Hydrocarbons Law or Petroleum Regulations, the following words and expressions shall have the following meanings:

- 1.1.1 **Accounting Procedure** means the accounting procedure set forth in Annex C.
- 1.1.2 **Affiliated Company** or **Affiliate** of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control of such specified Person or other Person.
- 1.1.3 **Annual Budget** means the expenditure of the Contractor with respect to an Annual Work Program.
- 1.1.4 **Annual Work Program** means an itemized statement of the Petroleum Operations to be carried out in the Contract Area during a Calendar Year.
- 1.1.5 **Appraisal Area** means an area within the Contract Area encompassing the geographical extent of a Discovery that is subject to an Appraisal work program and corresponding budget in accordance with Article 5.2.
- 1.1.6 **Appraisal Well** means a Well drilled following a Discovery, with the objective of delimiting and mapping the reservoir, and also to estimate the quantity of recoverable Hydrocarbons.
- 1.1.7 **Associated Natural Gas** means all Natural Gas produced from a reservoir the predominant content of which is Crude Oil and which is separated from Crude Oil in accordance with generally accepted international petroleum industry practice, including free gas cap, but excluding any liquid Hydrocarbons extracted from such gas either by normal field separation, dehydration or in a gas plant.
- 1.1.8 **Barrel** means a quantity or unit of Crude Oil equal to 158.9874 liters (forty-two (42) United States gallons) at a temperature of fifteen point five six degrees (15.56°) Centigrade (sixty degrees (60°) Fahrenheit) and at one (1) atmosphere of pressure.
- 1.1.9 **BEAC** means Banco de los Estados de África Central (Bank of the States of Central Africa).
- 1.1.10 **Book Value** means the value at which the asset is carried on the balance sheet prepared in accordance with generally accepted accounting practices used in the international petroleum industry.
- 1.1.11 **Business Day** means a day on which the banks are generally open for business in Equatorial Guinea and Dallas, Texas.
- 1.1.12 **Calendar Year or Year** means a period of twelve (12) months commencing on 1 January and ending on the following 31 December of the same year according to the Gregorian Calendar.

- 1.1.13 **Change in Law** means, with respect to Article 25, any change in the laws, decrees, regulations or standards of Equatorial Guinea, effective as of January 1, 2017, including with respect to any fiscal, taxes, Customs, or currency control, any change in the interpretation or application of, or in the customs and practices related to, such laws (the provisions of this Contract are deemed to conform to said interpretation and application from the date hereof) Decrees, regulations or rules of Equatorial Guinea and excludes all laws, decrees, regulations or standards which: (i) are related to health, safety, labor and the environment, (ii) are consistent with the international practices and standards of the oil and gas industry, and (iii) are applied on a non-discriminatory basis.
- 1.1.14 **CIF** has the meaning set out in the publication of the International Chamber of Commerce, INCOTERMS 2010.
- 1.1.15 **Commercial Discovery** means a Discovery that the Contractor has determined to be economically viable and so submits a Development and Production Plan for such Discovery for the approval of the Ministry.
- 1.1.16 **Cost Recovery Oil** has the meaning ascribed to it in Article 7.2.1.
- 1.1.17 **Contractor** means the **Company** and the National Company.
- 1.1.18 **Contract** means this production sharing contract, including its Recitals and Annexes.
- 1.1.19 **Contract Year** means a period of twelve (12) consecutive months according to the Gregorian calendar, counted from the Effective Date of this Contract or from the anniversary of such Effective Date.
- 1.1.20 **Contract Area** or **Area** means the geographic area within the territory of Equatorial Guinea, which is the subject of this Contract. Such Contract Area shall be described in Annex A and illustrated in Annex B, as it may be changed by relinquishments of the Contractor in accordance with this Contract.
- 1.1.21 **Control**, when used with respect to any specified Person, means the power to direct, administer and dictate policies of such Person through the ownership of a percentage of such Person's equity sufficient to hold a majority of voting rights in an ordinary shareholders meeting. The terms **Controlling** and **Controlled** have meanings correlative to the foregoing.
- 1.1.22 **Crude Oil** means Hydrocarbons which are produced at the wellhead in a liquid state at atmospheric pressure including asphalt and ozokerites, and the liquid Hydrocarbons known as condensate and/or Natural Gas liquids obtained from Natural Gas by condensation or extraction through field separation units.
- 1.1.23 **Dated Brent** means a quote published daily in the Crude Oil Market Platts Bulletin that reflects the price of a North Sea Brent crude oil blend charge over a given period.
- 1.1.24 **Development and Production Plan** has the meaning ascribed to it in Article 5.5.1.
- 1.1.25 **Delivery Point** means that point located within the jurisdiction of Equatorial Guinea at which Hydrocarbons reach (i) the inlet flange at the FOB export 3 vessel, (ii) the loading facility metering station of a pipeline or (iii) such other point within the jurisdiction of Equatorial Guinea as may be agreed by the Parties.

- 1.1.26 **Development and Production Area** means an area within the Contract Area encompassing the geographical extent of a Commercial Discovery subject to a Development and Production Plan in accordance with Article 5.5.
- 1.1.27 **Development and Production Costs** means all costs, expenses and liabilities incurred by the Contractor in connection with Development and Production Operations in a Development and Production Area, excluding all Exploration Costs incurred in the Development and Production Area prior to the establishment of any Field, as determined in accordance with this Contract and the Hydrocarbons Law.
- 1.1.28 **Development and Production Operations** means all operations, other than Exploration Operations, conducted to facilitate the Development and Production of Hydrocarbons from the Contract Area to the Delivery Point, but excluding the refining and distribution of Hydrocarbon products.
- 1.1.29 **Development Well** means a Well, other than an Exploration Well or an Appraisal Well, drilled with the purpose of producing or improving the Production of Hydrocarbons, including Exploration Wells and Appraisal Wells completed as production or injection Wells.
- 1.1.30 **Discovery** means the finding by the Contractor of Hydrocarbons whose existence within the Contract Area was not known prior to the Effective Date or Hydrocarbons within the Contract Area which had not been declared a Commercial Discovery prior to the Effective Date and which are measurable by generally accepted international petroleum industry practices.
- 1.1.31 **Dividend Withholding Tax** has the meaning ascribed to it in Article 17.1.1.
- 1.1.32 **Dollars or \$** means the legal tender of the United States of America.
- 1.1.33 **Effective Date** means the date of receipt by the Contractor of the ratification by the State of this Contract pursuant to Article 31.
- 1.1.34 **Equatorial Guinea** means the Republic of Equatorial Guinea.
- 1.1.35 **Exploration Operations** include geological and geophysical studies, aerial mapping, investigations relating to subsurface geology, stratigraphic test drilling, Exploration Wells, Appraisal Wells and related activities such as drill site preparation, surveying and all work connected therewith that is conducted in relation to the Exploration for and Appraisal of Hydrocarbon deposits in the Contract Area.
- 1.1.36 **Exploration Costs** means all costs, expenses and liabilities incurred by the Contractor in connection with Exploration Operations in the Contract Area, as determined in accordance with this Contract and the Hydrocarbons Law.
- 1.1.37 **Extension Period** means the First Extension Period and the Second Extension Period individually.
- 1.1.38 **Exploration Periods** means the Initial Exploration Period, an Extension Period and any further extensions thereof as set out in Article 2.2.1.
- 1.1.39 **Exploration Well** means any Well whose sole objective is to verify the existence of Hydrocarbons or to study all the necessary elements that might lead to a Discovery.

- 1.1.40 **Field** means a Discovery or an aggregation of Discoveries that is established as a Field in accordance with Article 5 and can be developed commercially after taking into account all pertinent operational, economic and financial data collected during the performance of the Appraisal work program or otherwise, in accordance with generally accepted international petroleum practices. A Field may consist of a Hydrocarbon reservoir or multiple Hydrocarbon reservoirs all grouped on or related to the same individual geological structural or stratigraphic conditions, or areas that are not related but will be developed by using a single Development and Production Plan. All deposits superimposed, adjacent to or underlying a Field in the Contract Area shall form part of the said Field.
- 1.1.41 **FOB** has the meaning set out in the publication of the International Chamber of Commerce, INCOTERMS 2010.
- 1.1.42 **First Extension Period** means the period of one (1) Contract Year commencing immediately after the conclusion of the Initial Exploration Period.
- 1.1.43 **First Exploration Sub-Period** means the first three (3) Contract Year(s) of the Initial Exploration Period.
- 1.1.44 **First Oil** means, in respect of each Development and Production Area, the date on which production of Hydrocarbons under a program of regular production, lifting and sale commences.
- 1.1.45 **Gross Revenues** means the total income from sales of Total Disposable Production plus the equivalent monetary value of any other disposal of Total Disposable Production from the Contract Area during any Calendar Year.
- 1.1.46 **Hydrocarbons** means all natural organic substances composed of carbon and hydrogen, including Crude Oil and Natural Gas that may be found and extracted from, or otherwise produced and saved from the Contract Area.
- 1.1.47 **Hydrocarbons Law** means Law No. 8/2006 dated 3 November 2006 of Equatorial Guinea, and any law that amends it or replaces it.
- 1.1.48 **Initial Exploration Period** means a period of five (5) Contract Years from the Effective Date, subdivided into two sub-periods of three (3) Contract Years for the First Exploration Sub-Period and two (2) Contract Years for the Second Exploration Sub-Period.
- 1.1.49 **Joint Operating Agreement** or **JOA** means the joint operating agreement that regulates the internal relations of the Parties comprising the Contractor for the conduct of Petroleum Operations in the Contract Area,
- 1.1.50 **LIBOR** means the interest rate at which Dollar deposits of six (6) months duration are offered in the London Inter Bank Market, as published in the Financial Times of London. The applicable LIBOR rate for each month or part thereof within an applicable interest period shall be the interest rate published in the Financial Times of London on the Last Business Day of the immediately preceding calendar month. If no such rate is quoted in the Financial Times of London during a period of five (5) consecutive Business Days, another rate (for example, the rate quoted in the Wall Street Journal) chosen by mutual agreement between the Ministry and the Contractor will apply.

- 1.1.51 **Market Price** means the FOB price for Crude Oil calculated in accordance with Article 10.
- 1.1.52 **Material Contract** means a contract with a value greater than five hundred thousand Dollars (\$500,000) with respect to Exploration Operations or to one million Dollars (\$1,000,000) in respect of Development Operations or Production Operations with (i) a Operator Affiliate, when the contract has not been previously and specifically approved in an Annual Budget as a contract to be carried out by an Affiliate or (ii) a non-Affiliate of the Operator. In the event that a law or regulation establishes a value higher than that stipulated in this definition for the supervision of contracts by the State, this definition will be amended to reflect the new higher limit.
- 1.1.53 **Maximum Efficient Production Rate** means the maximum efficient production rate of Hydrocarbons from a Field, that does not damage reservoir formations and does not cause excessive decline or loss of reservoir pressure in accordance with good oil field practice and as agreed in accordance with Article 6.4.
- 1.1.54 **Member State of CEMAC** means a country that is a member of the Central African Economic and Monetary Community.
- 1.1.55 **Member State of the OHADA** means a country that is a member of the Organization for the Harmonization of Commercial Law in Africa.
- 1.1.56 **Minimum Retention** means that the Operator and its Affiliates shall maintain a minimum deposit amount. This amount shall be measured annually and per Calendar Year, at one or more banks chosen by the Operator and operating in Equatorial Guinea. The amounts will be as follows:
- (a) From the effective date until the approval of the first Development and Production Plan, a deposit amount equivalent to ten per cent (10 %) of the Annual Budget applicable to such Calendar Year;
 - (b) From the approval of the first Development and Production Plan, and until First Oil, a deposit amount equivalent to point five per cent (0.5 %) of the Annual Budget applicable to such Calendar Year; and
 - (c) From First Oil until the end of Operations,, a deposit amount equivalent to a five per cent (5 %) of the Annual Budget applicable to such Calendar Year; provided that
 - (d) If, at any time, a later Development and Production Plan is approved and should this Plan require a development operation, the deposit amount required shall return to a point five per cent (0.5 %) of the Annual Budget applicable to such Calendar Year, until the year following the year during which the development operations foreseen in such Development and Production Plan cease to exist.
- 1.1.57 **Minimum Work Program** has the meaning ascribed to it in Article 3.1.
- 1.1.58 **Ministry** means the Ministry of Mines and Hydrocarbons of Equatorial Guinea, the entity responsible for supervising Petroleum Operations in coordination with other Government bodies within the respective areas of their competence, and any successor.

- 1.1.59 **National Company** for the purposes of this Contract, means Equatorial Guinea of Petroleum (GEPetrol), as a national oil company of Equatorial Guinea; or any successor state company.
- 1.1.60 **National Company's Participation Interest** means the Participation Interest of the National Company as set forth in Article 1.3.
- 1.1.61 **Natural Gas** means those Hydrocarbons that, at atmospheric conditions of temperature and pressure, are in a gaseous state including dry gas, wet gas and residual gas remaining after extraction, treatment, processing, or separation of liquid Hydrocarbons from wet gas, as well as gas or gases produced in association with liquid or gaseous Hydrocarbons.
- 1.1.62 **Net Crude Oil** has the meaning ascribed to it in Article 7.3.
- 1.1.63 **Net Natural Gas** has the meaning ascribed to in Article 13.3.5.
- 1.1.64 **Parties** or **Party** means the parties or a party to this Contract, as the context may require.
- 1.1.65 **Participation Interest** means for each Party comprising the Contractor, the undivided percentage share of such Party in the rights and obligations under this Contract, as is specified in Article 1.3.
- 1.1.66 **Person** means any individual, firm, company, corporation, society, trust, foundation, government, state or agency of the state or any association or partnership (whether or not having separate legal personality) or two or more of these.
- 1.1.67 **Petroleum Operations** means all operations related to Exploration, Development, Production, transportation, storage, conservation, decommissioning, sale and/or other disposal of Hydrocarbons from the Contract Area to the Delivery Point and any other work or activities necessary or ancillary to such operations; these operations and activities shall be carried out in accordance with this Contract and the Hydrocarbons Law and shall not include transport outside of Equatorial Guinea.
- 1.1.68 **Petroleum Operations Costs** means Exploration Costs and/or Development and Production Costs (as the context may require) incurred by the Contractor in the carrying out of Petroleum Operations, as determined in accordance with this Contractor and the Accounting Procedure,
- 1.1.69 **Petroleum Regulations** means all regulations promulgated by the Ministry pursuant to the Hydrocarbons Law.
- 1.1.70 **Platts** means Platts Crude Oil Marketwire, or if Platts Crude Oil Marketwire ceases to be published then another similar daily international publication that lists benchmark crude oil prices and which is agreed at the time between the Parties.
- 1.1.71 **Quarter** means a period of three (3) consecutive months beginning on 1 January, 1 April, 1 July or 1 October and ending on 31 March, 30 June, 30 September or 31 December, respectively.
- 1.1.72 **Reserve Fund** has the meaning ascribed to it in Article 24.3.1.

- 1.1.73 **Royalties** means an entitlement of the State over Hydrocarbons produced and saved from the Contract Area, and not utilized in Petroleum Operations, based on percentages calculated as a function of the daily rate of the Total Disposable Production as determined in accordance with Article 7.1,
- 1.1.74 **Second Extension Period** means the period of one (1) Contract Year commencing immediately after the end of the First Extension Period.
- 1.1.75 **Second Exploration Sub-Period** means the final **two (2)** Contract Year(s) of the Initial Exploration Period.
- 1.1.76 **Taxes** mean the coercive financial payments in accordance to the Tax Laws, that the State, local authorities and other public entities, demand in the exercise of their sovereign power. These taxes will be levied on each of the Parties comprising the Contractor and all other applicable Persons.
- 1.1.77 **Tax Laws** means Law No. 412004 dated 28 October 2004 of Equatorial Guinea, and Law No. 2/2007 dated 16 May 2007 of Equatorial Guinea, and any law that amends one or both of them or replaces one or both of them.
- 1.1.78 **Transfer Fee** has the meaning ascribed to in Article 17.2.1.
- 1.1.79 **Total Disposable Production** means all Hydrocarbons produced and saved from a Development and Production Area less the quantities used for Petroleum Operations.
- 1.1.80 **Unassociated Natural Gas** means all gaseous Hydrocarbons produced from Natural Gas reservoirs, and includes wet gas, dry gas and residual gas remaining after the extraction of liquid Hydrocarbons from wet gas.
- 1.1.81 **Well** means any opening in the ground or seabed made or being made by drilling or boring, or in any other manner, for the purpose of exploring and/or discovering, evaluating or producing Crude Oil or Natural Gas, or for the injection of any fluid or gas into an underground formation other than a seismic hole.
- 1.1.82 **Withholding Tax Waiver** has the meaning ascribed to it in Article 17.1.1.

1.2 Scope

- 1.2.1 This Contract is a production sharing contract awarded pursuant to Chapter IV of the Hydrocarbons Law. In accordance with the provisions of this Contract and the Hydrocarbons Law, the Ministry shall be responsible for supervising Petroleum Operations in the Contract Areas.
- 1.2.2 The State grants to the Contractor the sole and exclusive right and charge of conducting all Petroleum Operations in the Contract Area during the term of this Contract. In consideration of this, the Contractor shall:
- (a) be responsible to the State as an independent contractor, for the execution of the Petroleum Operations in accordance with the provisions of this Contract and the Hydrocarbons Law;
 - (b) provide all funds, machinery, equipment, technology and personnel prudent and necessary to conduct Petroleum Operations; and

(c) diligently, with due regard to good oil field practice, perform at its exclusive responsibility and risk all investments and contractual obligations necessary for conducting Petroleum Operations in accordance with this Contract.

1.2.3 All Petroleum Operations Costs shall be recoverable and deductible for tax purposes in the manner set forth in this Contract and the Hydrocarbons Law.

1.2.4 During the term of this Contract, the total Production achieved as a consequence of Petroleum Operations shall be shared between the Parties in accordance with Article 7.

1.3 Participation Interests

On the Effective Date the Participation Interests of the Parties comprising the Contractor are as follows:

Kosmos Energy	80%
The National Company	20%
Total	100%

ARTICLE 2 EXPLORATION PERIOD AND RELINQUISHMENTS

2.1 Initial Exploration Period

As of and from the Effective Date, the Contractor is authorized to conduct Exploration Operations in the Contract Area during the Initial Exploration Period.

2.1.1 Upon the fulfillment by the Contractor of its Exploration obligations set forth in Article 3.1.1 with respect to the First Exploration Sub-Period, the Contractor may elect to enter the Second Exploration Sub-Period.

2.1.2 To elect to enter the Second Exploration Sub-Period, the Contractor shall file a request with the Ministry at least two (2) months prior to the expiry of the First Exploration Sub-Period. The Ministry shall not unreasonably withhold or delay the granting of such request; provided that the Contractor has complied with all of its obligations in the First Exploration Sub-Period and shall not be otherwise in breach of this Contract.

2.2 Extension Periods

2.2.1 Upon the fulfillment by the Contractor of its Exploration obligations set forth in Articles 3.1.1 and 3.1.2 with respect to the Initial Exploration Period, the Contractor may request up to two (2) extensions of one (1) year each of the Initial Exploration Period.

2.2.2 For each Extension Period, the Contractor shall file a request with the Ministry at least two (2) months prior to the expiry of the Initial Exploration Period, or as the case may be, the First Extension Period. The Ministry shall not unreasonably withhold or delay the granting of such Extension Period; provided that the Contractor

has complied with all of its obligations in the Initial Exploration Period and the First Extension Period, as applicable, and shall not be otherwise in breach of this Contract.

- 2.2.3 Each request for an Extension Period shall be accompanied by a map specifying the Contract Area proposed to be retained by the Contractor, along with a report specifying any work performed in the proposed relinquished area since the Effective Date and the results obtained therefrom.
- 2.2.4 If upon expiry of the Initial Exploration Period, or of any Extension Period, any Appraisal work program with respect to a Discovery is still under progress or an Exploration Well is still under progress, the Contractor shall be entitled to an additional extension of the then current Exploration Period necessary to complete the work in progress. Furthermore, where Appraisal work has not yet been completed by the Contractor at the time at which a relinquishment contemplated by Article 2.4 is due, the requirement to relinquish shall be suspended until such time that the Contractor completes the said Appraisal work, commerciality is determined and, if applicable, the related establishment of a Field is approved or denied. Any additional extension granted under this Article 2.2.4 shall not exceed one (1) Contract Year, or such longer period as may be approved by the Ministry, plus the period of time established under Article 5 necessary for the evaluation of a marketing plan, the preparation of a Development and Production Plan and the Ministry's response.
- 2.2.5 In the event additional time is needed to complete said Appraisal work as set out in Article 2.2.4, the Contractor shall file a request for an extension with the Ministry at least two (2) months prior to the expiry of the current Initial Exploration Period or Extension Period, as applicable. In the event additional time is needed to complete an Exploration Well still under progress, the current Initial Exploration Period or Extension Period, as applicable, upon notification to the Ministry, will be extended automatically for such time necessary to complete said Exploration Well and an additional thirty (30) days to allow for the time to deliver the notice of Discovery as required in Article 5.1.

2.3 Termination

Should the Contractor decide:

- (a) not to extend the Initial Exploration Period (or not to enter the Second Exploration Sub-Period) and no Field has been established during such period; or
- (b) to extend the Initial Exploration Period and no Field has been established during an Extension Period or any additional extension thereof,

this Contract shall automatically terminate.

2.4 Mandatory Relinquishments

- 2.4.1 The Contractor must relinquish to the State thirty percent (30%) of the initial surface area of the Contract Area by the end of the Initial Exploration Period, twenty-five percent (25%) of the remaining area by the end of the First Extension Period, and the remainder of the Contract Area by the end of the Second Extension Period, or at the end of the Initial Exploration Period or the First Extension Period, if no further extension is requested by the Contractor. To determine the area or areas which the

Contractor shall relinquish, the following areas shall be excluded for the purposes of such calculation:

- (a) areas designated as an Appraisal Area;
- (b) Development and Production Areas;
- (c) areas for which the approval of a Development and Production Plan is pending, until finally decided;
- (d) the area of any Field, including any Field which may be subject to unitization pursuant to Article 22; and
- (e) any area reserved for a possible Unassociated Natural Gas Appraisal in relation to which the Contractor is engaged in discussions with the Ministry in accordance with Article 13.1.

2.4.2 Upon expiry of the applicable final extension period indicated in Article 2.2, and subject to the provisions of Article 2.2.4, the Contractor shall relinquish the remainder of the Contract Area, with the exception of:

- (a) Development and Production Areas;
- (b) those areas for which an application for a Development and Production Area is pending, until finally decided;
- (c) the area of any Field, including any Field which may be subject to unitization pursuant to Article 22; and
- (d) any area reserved for a possible Unassociated Natural Gas Appraisal in relation to which the Contractor is engaged in discussions with the Ministry in accordance with Article 13.

2.5 Voluntary Relinquishments

2.5.1 Subject to the Contractor's obligations under Article 24 and the Hydrocarbons Law, the Contractor may at any time notify the Ministry upon three (3) months prior notice that it relinquishes all of its rights over all or any part of the Contract Area.

2.5.2 In no event shall any voluntary relinquishment by the Contractor of rights over all or any part of the Contract Area reduce the Exploration obligations of the Contractor set forth in Article 3.

2.6 Involuntary Relinquishments

2.6.1 Should the Contractor, during the First Exploration Sub-Period (as may be extended), (i) be unable to fulfill its Minimum Work Program pursuant to Article 3.1.1(a) or (ii) be unable fulfill its Minimum Work Program pursuant to Article 3.1.1(b), excluding for reasons of Force Majeure or acts or failure to act by the State, including failure to deliver the data package referenced in Article 3.1.1(b), then the Contractor will relinquish all its rights on the whole of the Contract Area at the end of the First Exploration Sub-Period (as may be extended).

2.7 Relinquishments Generally

- 2.7.1 No relinquishment made in accordance with Articles 2.4 or 2.5 shall relieve the Contractor from its obligation to pay surface rentals accrued or make payments due and payable as a result of Petroleum Operations conducted up to the date of relinquishment.
- 2.7.2 The Contractor shall, in accordance with good oil field practice, propose the geographic location of the portion of the Contract Area that it proposes to retain, and which shall have a continuous geometric shape going from North to South and East to West delimited as a minimum by one minute (1') of latitude or longitude or by natural boundaries and such area shall also be subject to the approval of the Ministry and shall be deemed approved after sixty (60) days.

ARTICLE 3 EXPLORATION WORK OBLIGATIONS

3.1 Minimum Work Program

During the Exploration Period, the Contractor undertakes to carry out the following Minimum Work Program:

3.1.1 During the First Exploration Sub-Period, the Contractor must:

- (a) acquire, process, and interpret **1,200 square** kilometers of new 3D seismic data; and
- (b) acquire all existing data packages (both seismic and well) over the Area for **two million one hundred ten thousand** Dollars (\$2,110,000). All costs of data acquisition shall be cost recoverable.

The minimum expenditure for this Sub-Period shall be **four million Dollars (\$4,000,000)**.

3.1.2 During the Second Exploration Sub-Period, the Contractor must drill a minimum of **one (1)** Exploration Well to a minimum depth of the deepest target interval in the approved well program. The minimum expenditure for this period shall be **thirty million Dollars (\$30,000,000)**.

3.1.3 if the Contractor elects to enter the First Extension Period, the Contractor must perform technical work on geological and geophysical studies and surveys. The minimum expenditure for this period shall be **seven hundred thousand Dollars (\$700,000)**.

3.1.4 If the Contractor elects to enter the Second Extension Period, the Contractor must drill a minimum of **one (1)** Exploration Well to a minimum depth of the deepest target interval in the approved well program. The minimum expenditure for this period shall be **thirty million Dollars (\$30,000,000)**.

3.1.5 However, if the Contractor has performed work exceeding the Minimum Work Program required of it under any of Articles 3.1.1, 3.1.2 or 3.1.3, then the excess work, including Wells, is carried over to the next Sub-Period or Extension Period, and shall be deducted from the Minimum Work Program and the minimum expenditure for such next Sub-Period or Extension Period.

3.1.6 If the Contractor fulfills the Minimum Work Program (as set out in Articles 3.1.1, 3.1.2, 3.1.3, and 3.1.4) as applicable for each such Sub-Period and Extension Period, then the Contractor shall be deemed to have satisfied the minimum expenditure for each such Sub-Period and Extension Period, as applicable.

3.2 Minimum Depth of Wells

3.2.1 Each Exploration Well set forth above must be drilled to the minimum depth specified above in Article 3.1.2 or 3.1.4, as the case may be, or to a lesser depth if authorized by the Ministry in accordance with this Article or if discontinuing drilling is justified by one of the following reasons:

- (a) the economic basement is encountered at a depth less than the stipulated minimum contractual depth;
- (b) continued drilling is clearly dangerous because of abnormal pressure in the formation;
- (c) rock formations are encountered, the hardness of which makes it impracticable to continue drilling with appropriate equipment; or
- (d) Hydrocarbon bearing formations are encountered that require the installation of protective casings which excludes the possibility of reaching the minimum contractual depth.

3.2.2 For the purposes of Article 3.2.1, **economic basement** means any stratum in and below which the geological structure or physical characteristics of the rock sequence do not have the properties necessary for the accumulation of Hydrocarbons in commercial quantities and which also reflects the maximum depth at which any accumulation of this type can be reasonably expected.

3.3 Cessation of Drilling

In respect of Article 3.2.1(b) and to the extent practicable where a prudent operator would immediately cease drilling operations, the Contractor shall inform the Ministry prior to the interruption or cessation of any drilling. The Ministry shall respond as soon as practicable and in any event within three (3) days counted from the date of receipt of such request.

3.4 Substitute Wells

If any obligatory Exploration Well is abandoned due to events or problems as set out in Article 3.2.1(a), (b), (c) and (d) and, at the time of such abandonment, the Exploration Costs for such Well have equaled or exceeded **thirty million Dollars (\$30,000,000)**, for all purposes of this Contract, the Contractor shall be deemed to have fulfilled the Minimum Work Program obligations for the relevant period. If any obligatory Exploration Well is abandoned due to insurmountable technical problems, and if at the time of such abandonment, the Exploration Costs for such Well are less than **thirty million Dollars (\$30,000,000)** then the Contractor shall have the option to either:

- (a) drill a substitute Exploration Well at the same or another location to be agreed with the Ministry; or

- (b) pay the Ministry an amount equal to the difference between **thirty million Dollars (\$30,000,000)** and the amount of Exploration Costs actually spent in connection with such Exploration Well; and
- (c) such substitute well **or** payment per Articles 3.4(a) or (b) shall be deemed to have fulfilled the Minimum Work Program obligations for the relevant Sub-Period or Extension Period.

3.5 Provision of Guarantee

On or prior to the Effective Date, each of the Parties comprising the Contractor (other than the National Company) shall provide to the State, at the sole discretion of the Ministry, either (i) a parent company guarantee in the form set forth in Annex D from a company acceptable to the Ministry in the amount of **two hundred million Dollars (\$200,000,000)**, or (ii) an irrevocable standby letter of credit from a first class international financial institution acceptable to the Ministry in the amount of the minimum expenditure obligations of the Contractor corresponding to the Minimum Work Program of the then current Sub-Period or Extension Period, as applicable, and which shall remain valid and effective for six (6) months after the end of the relevant Sub-Period, any Extension Period and any additional extension thereof, as applicable. If the Parties comprising the Contractor (other than the National Company) fail to deliver to the Ministry the required guarantee within fifteen (15) Business Days from the Effective Date, this Contract shall be considered null and void without any further procedure or notice.

3.6 Participation Interest of the National Company

For the purposes of this Article 3 any expenditure of the Parties comprising the Contractor (other than the National Company) under Article 8.2 shall be treated as an expenditure for the purpose of satisfying the minimum expenditure obligations set out herein.

ARTICLE 4 ANNUAL WORK PROGRAMS AND BUDGETS

4.1 Submission of Annual Work Program

No later than ninety (90) days prior to the beginning of each Calendar Year, or for the first Calendar Year no later than sixty (60) days after the Effective Date, the Contractor shall prepare and submit for approval by the Ministry a detailed and itemized Annual Work Program divided into Quarters, along with the corresponding Annual Budget for the Contract Area setting forth the Petroleum Operations the Contractor proposes to carry out during such Calendar Year. The Annual Budget shall be presented in the official format of the Ministry.

4.2 Form and Approval of Annual Work Program

- 4.2.1 Each Annual Work Program and corresponding Annual Budget shall be broken down into the various Exploration Operations and, as applicable, the Appraisal operations for each Appraisal Area and the Development and Production Operations for each Development and Production Area. The Ministry may propose amendments or modifications to the Annual Work Program and corresponding Annual Budget, by giving notice to the Contractor and including reasons for such amendments or modifications, within sixty (60) days following receipt of such Annual Work

Program and Annual Budget. In such event the Ministry and the Contractor shall meet as soon as possible to review the amendments or modifications proposed by the Ministry and establish by mutual agreement the Annual Work Program and corresponding Annual Budget. The parts of the Annual Work Program for which the Ministry does not require amendment or modification will be deemed approved and must be completed by the Contractor within the stated time period, provided they may be undertaken on an individual basis. With respect to the parts of the Annual Work Program for which the Ministry proposes any amendment or modification, the date of approval of the Annual Work Program and corresponding Annual Budget shall be the date on which the Ministry and the Contractor reach the aforementioned mutual agreement. In the event the Ministry and the Contractor do not reach an agreement regarding the amendments and modifications proposed by the Ministry before the end of the Calendar Year in which the Annual Work Plan and corresponding Annual Budget were submitted, the Contractor shall continue operating pursuant to the most recent Annual Work Plan and corresponding Annual Budget approved by the Ministry until a mutual agreement is reached of Petroleum Operations.

4.3 Conduct of Petroleum Operations

The Contractor shall diligently and properly perform the Petroleum Operations with diligence, efficiency and economy, in accordance with accepted international petroleum industry practices under the same or similar circumstances and the terms of this Contract and the Hydrocarbons Law.

4.4 Overexpenditures

- 4.4.1 It is acknowledged by the Ministry and the Contractor that the technical results acquired as work progresses or the occurrence of certain unforeseen changes in circumstances may justify modifications to an approved Annual Work Program and corresponding Annual Budget. In such circumstances, the Contractor shall promptly notify the Ministry of the proposed modifications. Such modifications are subject to review and approval by the Ministry within sixty (60) days after receipt of such notice. Failure of the Ministry to approve or reject such proposed modifications within such sixty (60) day period shall be deemed to be an approval of such proposed modifications. Notwithstanding the foregoing and in no event shall the Contractor incur any line item expenditure which exceeds an approved Annual Budget line item by more than ten percent (10%), provided that the cumulative total of all overexpenditures for a Calendar Year shall not exceed five percent (5%) of the total approved Annual Budget without the prior approval of the Ministry; otherwise such excess expenditures shall not be recoverable as a Petroleum Operations Cost or deductible for tax purposes.
- 4.4.2 At such time that the Contractor reasonably believes that the limits of an Annual Budget will be exceeded, the Contractor shall promptly notify the Ministry and shall provide the Ministry with full details of such overexpenditures, including reasons therefor.
- 4.4.3 The limitations set out in this Article 4.4 shall be without prejudice to the Contractor's right to make expenditures in the event of an emergency or accident requiring urgent action under Article 4.5.

4.4.4 Save as otherwise provided in Article 4.5, should the Contractor incur any expenditure whose program and budget has not been approved within an Annual Work Program and corresponding Annual Budget or any amendment thereto approved by the Ministry, then such expenditure shall not be recoverable by the Contractor as a Petroleum Operations Cost or be deductible for tax purposes.

4.5 Emergency or Accident

4.5.1 In the event of an emergency or accident requiring urgent action, the Contractor shall take all steps and measures as may be prudent and necessary in accordance with good oil field practice for the protection of its interests and those of the State and the property, life and health of other Persons, the environment and the safety of Petroleum Operations. The Contractor shall promptly inform the Ministry of such emergency or accident.

4.5.2 All of the related costs incurred by the Contractor in accordance with this Article 4.5 shall be recoverable as Petroleum Operations Costs in accordance with this Contract. Notwithstanding the foregoing, all costs incurred by the Contractor in the cleaning up of pollution or damage to the environment caused by the gross negligence or willful misconduct of the Contractor, its subcontractors or any Person acting on its or their behalf shall not be recoverable as a Petroleum Operations Cost.

ARTICLE 5 APPRAISAL OF A DISCOVERY AND PRODUCTION PERIOD

5.1 Notification of Discovery

If the Contractor discovers Hydrocarbons in the Contract Area it shall notify the Ministry as soon as possible, but not later than thirty (30) days after the date of such Discovery. This notice shall include all relevant information in accordance with generally accepted practice of the international petroleum industry including particulars of any production testing program which the Contractor has carried out or proposes to carry out during drilling operations.

5.2 Appraisal Work Program

5.2.1 If the Contractor considers that the Discovery merits Appraisal it shall diligently submit to the Ministry a detailed Appraisal work program and corresponding budget no later than six (6) months following the date on which the Discovery was notified in accordance with Article 5.1. The Appraisal work program, corresponding budget and designated Appraisal Area are subject to the review and approval of the Ministry in accordance with the procedures set forth in Article 4.

5.2.2 The draft Appraisal work program shall specify the estimated size of the Hydrocarbon reserves of the said Discovery, the area proposed to be designated as the Appraisal Area and shall include all seismic, drilling, testing and Appraisal operations necessary to carry out an appropriate Appraisal of the Discovery. The Contractor shall diligently undertake the approved Appraisal work program, it being understood that the provisions of Article 4.4 shall apply to such program.

5.2.3 The duration of the Appraisal work program shall not exceed twenty-four (24) months for Crude Oil and in the case of Natural Gas the duration of the Appraisal work program shall be determined in accordance with the provisions of Article 13,

unless as otherwise approved by the Ministry, such approval not to be unreasonably withheld or delayed.

5.3 Submission of Appraisal Report

- 5.3.1 Within six (6) months following completion of the Appraisal work program and in any event no later than thirty (30) days prior to the expiry of the Initial Exploration Period, or the First Extension Period or the Second Extension Period, including any additional extension in accordance with the provisions of Article 2.2, as may be the case, the Contractor shall submit to the Ministry a detailed report giving all the technical and economic information associated with the Discovery so appraised and which shall confirm, in the Contractor's opinion, whether such Discovery is a Commercial Discovery.
- 5.3.2 The above-referred report shall include geological and petrophysical characteristics of the Discovery, estimated geographical extent of the Discovery, results of the production tests yielded by the formation and the preliminary economic study with respect to the exploitation of the Discovery.

5.4 Determination of Commerciality

For the purposes of Article 5.3, the Contractor shall determine whether it considers that a Discovery or aggregation of Discoveries can be developed commercially. The commercial viability of the Discovery or aggregation of Discoveries shall be determined after consideration of all pertinent operating, economic and financial data collected during the performance of the Appraisal work program and otherwise, including Crude Oil and Natural Gas recoverable reserves, sustainable Production levels and all other relevant economic factors, according to generally accepted international petroleum industry practice.

5.5 Submission and Approval of Development and Production Plan

- 5.5.1 If the Contractor deems the Discovery or aggregation of Discoveries to be a Field it shall submit for the approval of the Ministry a development and production plan (the Development and Production Plan) for such Discovery or aggregation of Discoveries within twelve (12) months following the remittance of the report referred to in Article 5.3.
- 5.5.2 The Ministry may propose amendments or modifications to the aforementioned Development and Production Plan, and also to the Development and Production Area subject to such Development and Production Plan, by notice to the Contractor within ninety (90) days following receipt of the relevant plan. Such notification shall set out the reasons for the amendments or modifications proposed by the Ministry. In such event the Ministry and the Contractor shall meet as soon as possible to review the proposed amendments or modifications of the Ministry and establish by mutual agreement the Development and Production Plan.
- 5.5.3 If (i) the Contractor and the Ministry do not reach a written agreement within one hundred eighty (180) days following the submission of amendments and modifications by the Ministry, or (ii) the Ministry notifies the Contractor that it does not approve the Development and Production Plan, within thirty (30) Business Days of the occurrence of either (i) or (ii) above, the Parties shall meet to assess the discrepancies in accordance with articles 49 and 50 of the Petroleum Regulations;

if an agreement is not reached, the points of discrepancies shall be referred to and shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding upon the Parties, including the Ministry, and, if should it not be complied with pursuant to Equatorial Guinea legislation, either Parties may refer the matter to arbitration under Article 26 to reach a final and binding decision. .

5.6 Modifications to Development and Production Plan

5.6.1 When the results obtained during Development and Production Operations require certain modifications to the Development and Production Plan, such plan may be modified using the same procedure provided for with respect to the initial approval thereof. Subject to Article 4.4, the Contractor may not incur any expenditure which exceeds the approved Development and Production Plan without the prior approval of the Ministry; if prior approval is not obtained, such excess expenditures will not be recoverable by the Contractor as Petroleum Operations Costs or deductible for tax purposes.

5.6.2 During a period of Development and Production, the Contractor may propose to the Ministry revisions to the Development and Production Plan at any time that additional Development and Production Operations are under consideration. Such revisions shall be submitted for approval by the Ministry, using the same procedure provided for with respect to the initial approval thereof.

5.7 Number of Fields

If the Contractor discovers more than one (1) Field in the Contract Area which are not overlying, adjacent to or underlying an existing Field, each of them shall be the subject of a separate Development and Production Plan.

5.8 Extension of Field beyond Contract Area

5.8.1 If, during work performed after approval of a Development and Production Plan, it appears that the geographical extent of a Field is larger than the Development and Production Area designated pursuant to Article 5.5, the Ministry may grant the Contractor the additional area, on condition that it is included in the Contract Area in effect at that time, and provided that the Contractor provides supporting evidence of the existence of the additional area applied for.

5.8.2 In the event that a Field extends beyond the boundaries of the Contract Area as delimited at any particular time, the Ministry may require the Contractor to exploit such Field in association with the contractor of the adjacent area in accordance with Article 22, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

5.8.3 When the area proposed to be unitized is not subject to any production sharing contract, the Ministry may grant the Contractor the additional area, on condition that it is included in the Contract Area in effect at that time, it being understood that any award of an additional area must be in accordance with the Hydrocarbons Law.

5.9 Commencement and Performance of Development and Production Operations

5.9.1 The Contractor shall commence Development and Production Operations within six(6) months from the date of approval of the Development and Production Plan and shall pursue such operations diligently.

5.9.2 The Contractor undertakes to perform all Development and Production Operations in accordance with generally accepted practice of the international petroleum industry, this Contract and the Hydrocarbons Law.

5.10 Duration of Operations

5.10.1 The duration of the Development and Production period during which the Contractor is authorized to exploit a Field is twenty-five (25) Years from the date of approval of the Development and Production Plan related to such Field.

The Development and Production period defined above may be extended for an additional period of five (5) Years with prior approval of the Ministry, which approval shall not be unreasonably withheld or delayed, if the Contractor submits a request to this effect to the Ministry at least one (1) Year prior to its expiry and on the condition that the Contractor has fulfilled all of its obligations under this Contract and that it can demonstrate that commercial Production from the Field is still possible after the expiry of the initial Development and Production period.

5.11 Risk and Expense of Contractor

The Contractor undertakes to perform at its own expense and financial risk all the Petroleum Operations required to place a Field into Production in accordance with the Development and Production Plan so approved.

5.12 Mandatory Relinquishment

For the duration of the Initial Exploration Period, the Extension Periods and any additional extension thereof, the Ministry may, provided it gives at least six (6) months' notice, require the Contractor to promptly relinquish, without any compensation or indemnification, all of its rights over the area encompassing a Discovery, including all of its rights over Hydrocarbons which may be produced from such Discovery, if the Contractor:

- (a) has not submitted, in accordance with Article 5.2, an Appraisal work program and corresponding budget with respect to such Discovery within six (6) months following the date on which such Discovery has been notified to the Ministry; or
- (b) subject to Article 13.1 regarding Unassociated Natural Gas, does not establish the Discovery as a Field within one (1) Year after completion of Appraisal work with respect to such Discovery.

5.13 Future Operations

In the event of a relinquishment under Article 5.12, the Ministry may perform or cause to be performed any petroleum operations with respect to any Discovery so relinquished without any compensation or indemnification to the Contractor, provided, however, that it shall not interfere with the Petroleum Operations undertaken by the Contractor in the part of the Contract Area retained by the Contractor, if any. The Ministry shall be permitted to use (free of charge) all facilities

and equipment in the relinquished Discovery area of the Contractor that are not used for continuing Petroleum Operations in accordance with Article 51 of the Petroleum Regulations, Ministerial Order Number 4/2013, dated June 20 2013, as may be amended. If requested by the Ministry all continuing operations may be undertaken by the Contractor, if so agreed, for a fee and on terms to be agreed between the Ministry and the Contractor.

5.14 Available Facilities

In the event there are facilities and equipment in an area adjacent to or near the Contract Area which have excess capacity that could be utilized by Contractor, the Ministry may, considering the efficiency and economic management of existing resources, cause such facilities and equipment to be made available to Contractor for any Development and Production Operations, provided, however, that such Development and Production Operations shall not interfere with the ongoing operations in that area. The Ministry will then implement the process set out in Articles 50, 51, and 52 of the Hydrocarbons Law.

ARTICLE 6 CONDUCT OF PETROLEUM OPERATIONS

6.1 Obligations of Contractor

In accordance with generally accepted practice of the international petroleum industry and the Hydrocarbons Law, the Contractor shall provide all funds necessary for the conduct of Petroleum Operations in the Contract Area including the purchase or rental of all facilities, equipment, materials and other goods required for the performance of such Petroleum Operations. It shall also supply all technical and operational expertise, including the use of foreign and national personnel required for implementing Annual Work Programs. The Contractor shall be responsible for the preparation and implementation of all Annual Work Programs which shall be performed in accordance with this Contract, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

6.2 Joint Operating Agreement

Within forty-five (45) days following the Effective Date, the Contractor shall provide the Ministry with a draft of the Joint Operating Agreement which shall be based upon the current model form operating agreement from the Association of International Petroleum Negotiators (AIPN). The Joint Operating Agreement and all amendments thereto shall be subject to the prior approval of the Ministry. The identity of the Operator and any change thereto shall be subject to the prior approval of the Ministry in accordance with the Hydrocarbons Law. The National Company shall be appointed as the administrative operator under the Joint Operating Agreement.

6.3 Conduct of Petroleum Operations

The Contractor shall diligently conduct Petroleum Operations in accordance with this Contract, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

6.4 Maximum Efficient Production Rate

The Contractor and the Ministry shall agree on the Production programs before Production begins in any Field and establish at that time the Maximum Efficient Production Rate for such Field, and will determine the dates on which such levels will be reexamined and potentially revised.

6.5 Working Conditions

The Contractor shall provide acceptable working conditions and access to medical attention and nursing care for all of its local and international personnel and those of its subcontractors while undertaking Petroleum Operations. The Contractor shall also provide living accommodation for personnel based on offshore installations and an additional accommodation allowance in the remuneration of personnel based onshore.

6.6 Discovery of other Minerals

The Contractor shall promptly notify the Ministry of the discovery of any minerals or other substances in the Contract Area. If any Persons are granted a permit or license within the Contract Area for the exploration and exploitation of any minerals or substances other than Hydrocarbons, the Ministry shall take all reasonable measures to ensure that the operations of such Persons will not obstruct the Contractor's Petroleum Operations. The Contractor shall use all reasonable efforts to avoid any obstruction with such permit holders or licensees' operations.

6.7 Award of Contracts

The Contractor shall award all the contracts, in accordance with the Local Content Regulation enacted by the Ministry in the Ministerial Decree N.º 1/2014, of 26th of September 2014, to the best qualified subcontractor or to other Person, including the Contractor's affiliated Companies, on the basis of the cost and the capacity to comply with the contract's provisions, as long as the Contractor abides by the Article 23.1.

6.7.1 In all the Material Contracts, the Contractor shall:

- (a) call a bid for the contract.
- (b) give preference to the national companies the Contractor thinks that are qualified;
- (c) before awarding a Material Contract, notify and inform the Ministry about the intention of the Contractor to present an offer for such contract;
- (d) include the national companies that have been included in a list provided by the Ministry and that the Contractor regard as competent, in the list of bids for such Material Contract;
- (e) include in the list of bids, any qualified Person the Ministry suggests to be included;
- (f) finish the bid process within a reasonable period of time;
- (g) consider and analyze the submitted offers;

- (h) draft and send to the Ministry a competitive analysis of the offers submitted including the Contractor's recommendation in terms of the Person that will be awarded with the contract, the underlying reasons and the technical, commercial and contractual conditions to be agreed;
- (i) obtain the Ministry's approval, which will be regarded as awarded if there is no response to an approval application thirty (30) days after since the reception of the written application; and
- (j) Provide the Ministry with a final copy of the signed contract.

All the amendments or modifications that *per se* abide by the definition of the Material Contract shall require the prior approval of the Ministry, approval that will be regarded as awarded if there is if there is no response to an approval application thirty (30) days after since the reception of the written application.

6.7.2 Should the Contractor imports and/or use any service, material, equipment, consumables and other goods from a country other than Equatorial Guinea, aware of contravention of this Article or Article 23.1, or otherwise signs a contract aware of contravention of such Articles, their costs shall not be Petroleum Operational Costs and they shall not be recoverable costs by the Contractor.

6.8 Inspection of Petroleum Operations

6.8.1 All Petroleum Operations may be inspected and audited by the Ministry at such intervals as the Ministry deems necessary. The duly commissioned representatives of the Ministry shall have the right, among others, to monitor Petroleum Operations and inspect all equipment, facilities and materials relating to Petroleum Operations, provided that any such inspection shall not unduly delay or impede Petroleum Operations. The representatives of the Ministry inspecting and monitoring Petroleum Operations shall comply with the safety standards of the Contractor.

6.8.2 For the purposes of permitting the exercise of the above-mentioned rights, the Contractor shall provide reasonable assistance to the representatives of the Ministry, including transportation and accommodation, as set forth in Article 6.23.

6.8.3 All costs directly related to the technical inspection, verification and audit of Petroleum Operations or otherwise in connection with the exercise of the Ministry's rights under this Contract or the performance of the Contractor's obligations shall be borne by the Contractor and are recoverable as Petroleum Operations Costs in accordance with this Contract, including:

- (a) outbound and return travel expenses;
- (b) local transportation, as necessary, when there is no transportation available under Article 6.8.2;
- (c) accommodation, when such accommodation is necessary to perform the official duties and is not provided under Article 6.8.2; and
- (d) per diems, which shall be adjusted in accordance with such amounts assigned to the ranking of each agent of the Ministry as published in the general budget law of the State approved for such Calendar Year, applicable to all

companies in the extraction sector of Hydrocarbons in Equatorial Guinea, as set out in Article 6.23 below.

All travel expenses in (a) and (b) and accommodations in (c) above shall be arranged by Contractor and Contractor shall pay directly to the service providers such costs. As a consequence of the payment of the per diems noted above in (d), Contractor shall not make any payments to or on behalf of any Government of Equatorial Guinea travelers in relation to meals or other incidental or miscellaneous costs incurred by such travelers during such travel, and all such costs shall be for the sole account of such travelers.

6.9 Provision of Information to Ministry

6.9.1 The Contractor shall keep the Ministry fully informed on the performance and status of Petroleum Operations at reasonable intervals and as required under this Contract and of any emergencies or accidents that may have occurred during such operations. Furthermore, the Contractor shall provide the Ministry with all documentation and information that is required to be provided under this Contract and the Hydrocarbons Law and as may otherwise be requested by the Ministry from time to time.

6.9.2 The Contractor shall keep the Ministry informed on a daily basis of the volumes of Hydrocarbons produced from the Contract Area.

6.10 Production of Energy for Own Use

The Contractor shall not produce any energy for its own use unless national production is insufficient or not reliable enough for the demands of the Contractor in its conduct of Petroleum Operations. This restriction does not preclude Contractor from having appropriate and customary back-up generators to provide energy in its conduct of Petroleum Operation. In such event, the energy produced may not be sold to any Person. However, the Contractor may utilize the amounts of Crude Oil and/or Natural Gas necessary for the production of power for use in its offshore facilities.

6.11 Standard of Equipment

The Contractor shall ensure that all equipment, plants, installations and materials used by it comply with the Hydrocarbons Law and generally accepted engineering standards, and that they are duly constructed and maintained in good condition.

6.12 Care of Contractor and the Environment

6.12.1 The Contractor shall take all prudent and necessary steps in accordance with generally accepted practice of the international petroleum industry, the Hydrocarbons Law and this Contract to:

- (a) prevent pollution and protect the environment and living resources;
- (b) ensure that any Hydrocarbons discovered or produced in the Contract Area are handled in a manner that is safe for the environment;
- (c) avoid causing damage to overlying, adjacent and/or underlying formations trapping Hydrocarbon reserves;

- (d) prevent the ingress of water via Wells into strata containing Hydrocarbon reservoirs;
- (e) avoid causing damage to overlying, adjacent and/or underlying aquifers;
- (f) ensure that Petroleum Operations are carried out in accordance with this Contract, the Hydrocarbons Law and all other laws of Equatorial Guinea;
- (g) undertake the precautions necessary for the protection of maritime transportation and the fishing industry and to avoid contamination of the ocean and rivers;
- (h) drill and exploit each Field in such a manner that the interests of Equatorial Guinea are protected; and
- (i) ensure prompt, fair and full compensation for injury to Persons or property caused by the effects of Petroleum Operations.

6.12.2 If the Contractor's actions result in any pollution or damage to the environment, any Person, living resources, property or otherwise, the Contractor shall immediately take all prudent and necessary measures to remedy such damages and effects thereof and/or any additional measures as may be directed by the Ministry. If the pollution or damage is caused as a result of the negligence or willful misconduct of the Contractor, its subcontractors or any Persons acting on its or their behalf all costs in relation thereof shall not be recoverable as a Petroleum Operations Cost. If the Contractor does not act promptly so as to control or clean-up any pollution or make good any damage caused, the Ministry may, after giving the Contractor reasonable notice in the circumstances, carry out the actions which are prudent or necessary hereunder and under Article 4.5 and all reasonable costs and expenses of such actions shall be borne by the Contractor and shall not be recoverable as a Petroleum Operations Cost.

6.12.3 If the Ministry determines that any works or installations built by the Contractor or any activity undertaken by the Contractor threatens the safety of any Persons or property or causes pollution or harm to the environment, the Ministry shall promptly advise the Contractor of its determination, and may require the Contractor to take all appropriate mitigating measures, consistent with generally accepted practice of the international petroleum industry, to repair any damage caused by the Contractor's conduct or activities. Furthermore, if the Ministry deems it necessary, it may demand that the Contractor suspend totally or partially the affected Petroleum Operations until the Contractor has taken the appropriate mitigating measures or repaired any damage.

6.12.4 The Contractor shall undertake comprehensive environmental impact assessment studies prior to, during and after major drilling operations. The Contractor shall assume the costs of these studies and such costs shall be recoverable. This requirement is mandatory and the first study shall be presented to the Ministry before the start of the drilling of the first Well in the Contract Area. However, an environmental impact assessment must also be completed prior to undertaking any seismic work in any areas of particular environmental sensitivity specified by the State.

6.13 Re-injection and Flaring of Natural Gas

The Natural Gas that the Contractor does not develop in accordance with this Contract and the Hydrocarbons Law or use in its own operations within the Contract Area shall be re-injected into the structure of the subsoil, and all costs of such reinjection shall be recoverable as a Petroleum Operations Cost. Notwithstanding the foregoing, the Ministry may authorize the combustion of Natural Gas for short periods of time in accordance with the Hydrocarbons Law. The Contractor shall compensate the State for the value of the gas volumes flared without authorization. All such Natural Gas not used in Petroleum Operations by the Contractor or not developed in accordance with this Contract and the Hydrocarbons Law shall remain the sole property of the State.

6.14 Design and Identification of Wells

- 6.14.1 The Contractor shall conform to the practices generally accepted in the international petroleum industry in the design and drilling of Wells, including their casing and cementation.
- 6.14.2 Each Well shall be identified by a name or number agreed with the Ministry, which shall be indicated on all maps, plans and other similar records produced by or on behalf of the Contractor.

6.15 Vertical Projection Wells

No Well may be drilled to an objective which is outside the vertical projection of the boundaries of the Contract Area. Controlled direction Wells drilled within the Contract Area from adjacent terrain not covered by this Contract will be considered for all purposes of this Contract as Wells drilled from territory included in the Contract Area, and whose drilling may only be undertaken with the prior approval of the Ministry, and on such terms and conditions as the Ministry may establish. Nothing in this Article has the intention or should be interpreted as a grant of a right of lease, license, servitude or any other right that the Contractor must obtain from the Ministry or other Persons.

6.16 Notification of Commencement of Drilling

The Contractor shall notify the Ministry at least ten (10) Business Days in advance of the commencement of any drilling of any Well set out in an approved Annual Work Program and corresponding Annual Budget or before the resumption of works on any Well whose works have been suspended for more than six (6) months.

6.17 Construction of Facilities

The Contractor shall build and maintain all facilities necessary for the proper performance of this Contract and the conduct of Petroleum Operations. In order to occupy land necessary for the exercise of its rights and obligations under this Contract, the Contractor shall request the authorization of the Ministry and/or other applicable governmental authorities, which authorization shall be subject to and granted in accordance with Article 6.19, the Hydrocarbons Law and other applicable laws of Equatorial Guinea. The Contractor shall repair any and all damage caused by such circumstances.

6.18 Occupation of Land

- 6.18.1 In order to carry out Petroleum Operations, the Contractor shall have the right to:

- (a) subject to Articles 6.17 and 6.18.2, occupy the necessary land for the performance of Petroleum Operations and associated activities as set out in paragraphs (b) and (c) below, including lodging for personnel;
- (b) undertake or procure the undertaking of any infrastructure work necessary in normal technical and economic conditions for the carrying out of Petroleum Operations and associated activities such as transport, storage of equipment, materials and extracted substances, establishment of telecommunications equipment and communication lines necessary for the conduct of Petroleum Operations at installations located both offshore and onshore;
- (c) undertake or ensure the undertaking of works necessary for the supply of water to personnel and installation works in accordance with water supply regulations; and
- (d) extract and use or ensure the extraction and utilization of resources (other than Hydrocarbons) from the subsoil necessary for the activities stipulated in paragraphs (a), (b) and (c) above in accordance with relevant regulations.

6.18.2 Occupation of land as mentioned in Article 6.18.1 shall become effective after the Ministry or other applicable governmental authority approves the request submitted by the Contractor indicating and detailing the location of such land and how the Contractor plans to use it, taking the following into consideration:

- (a) if the land belongs to the State, the State shall grant it to the Contractor for occupation and to build its fixed or temporary facilities during the term of this Contract for a fee and on terms to be agreed and such amount shall be considered a Petroleum Operations Cost;
- (b) if the land is private property by traditional or local right according to the Property Registry, then (i) if the occupation is merely temporary or transitory, or for right of way, the Contractor shall reach an agreement with the relevant property owner and the property owner shall reach an agreement with any occupant, tenant or possessor, with regard to the rental to be paid, and the resulting amounts shall be considered recoverable Petroleum Operations Costs, or (ii) if the occupation is permanent, the relevant owner and the Contractor shall reach an agreement regarding matters related to the property's acquisition and such amounts shall be considered Petroleum Operations Costs;
- (c) if the Contractor and the relevant property owner or occupant, tenant or possessor do not reach an agreement regarding the matters mentioned in paragraph (b) above, the Ministry shall act as a mediator between them and in the event that such mediation does not produce a resolution of the case the dispute shall be resolved by the courts of Equatorial Guinea unless recourse is had to the procedure described in paragraph (d) below;
- (d) the State may proceed to expropriate the land, subject to the prior publication of a decree of compulsory expropriation followed by a fair and reasonable valuation of the land concerned by an expert valuator, In such event the Contractor shall compensate the expropriated property owner in accordance with the value determined by such expert valuator if the State has not done

so; such amounts shall be considered recoverable Petroleum Operations Costs;

- (e) the relinquishment, in whole or in part, of the Contract Area, will not affect the Contractor's rights under Article 6.18.1 to carry out building works and construction of installations, provided that such works and installations are directly related to other activities of the Contractor in the remainder of the Contract Area, as in the case of partial relinquishment, and covered by other production sharing contracts.

6.19 Residence of Personnel

There shall be no restrictions imposed on the entry, residence, free circulation, employment and repatriation of the personnel of the Contractor and its subcontractors, the family of such personnel, or the personal effects of such personnel and his or her family., provided that the Contractor and its subcontractors comply with all applicable laws including employment and social legislation of Equatorial Guinea. The State agrees to grant in a timely manner the entry, work, or residence permits or other permits or authorizations that, in accordance with the Laws of Equatorial Guinea, may be required by the personnel of the Contractor, the Operator or any subcontractor.

6.20 Assistance of Ministry

The Ministry shall assist the Contractor and its subcontractors in obtaining all administrative authorizations and licenses as may be reasonably necessary for the proper execution of Petroleum Operations under this Contract.

6.21 Opening of Branch Office

The Contractor shall, to the extent that it has not already done so, open a representative branch office in Equatorial Guinea within six (6) months following the Effective Date, until such time as an Equatorial Guinean incorporated affiliate is established pursuant to Article 17.1. Such branch office shall always be staffed by at least one (1) representative with sufficient authority to make decisions on behalf of the Contractor.

6.22 Premises

Upon the first Commercial Discovery, the Contractor shall, to the extent that it has not already done so, construct a prestigious building for its offices in Equatorial Guinea using modern and permanent materials and of an appropriate size and design as shall be approved by the Ministry. All costs related to such construction shall be recoverable as Petroleum Operation Costs in accordance with this Contract. Once such construction costs have been recovered by the Contractor, such property shall be owned solely by the State and the Contractor shall pay rent to the State at a price and on terms to be negotiated and such rent shall be considered recoverable Petroleum Operations Costs by the Contractor.

6.23 State Expenses

If, in connection with Contractor's performance of its obligations under this Contract or for the negotiation of this Contract prior to the Effective Date, or if circumstances emerged regarding this Contract other than as provided in this Section 6.23 of this

Contract, any employee or official of the State, including the Ministry's personnel and GEPetrol, is required to travel to any location outside the Republic of Equatorial Guinea or as set out in Section 6.8.3 above, and the State agrees, through the Ministry, to permit such employee or official to travel for such purposes, Contractor agrees, subject to the prior mutual agreement of the Parties to such travel, to pay the following amounts to the Ministry, on behalf of the State, for the travel expenses related to the participation of such employees or officials:

- (a) the actual expenses incurred for travel to the location outside of the Republic of Equatorial Guinea and for travel to return to the Republic of Equatorial Guinea and lodging of such employees or officials at the foreign location, and
- (b) to pay to the Ministry, on behalf of the State, for the *per diem* as provided in the 2017 Budget Law. amount equal to the following for each day such employee or official is out of the Republic of Equatorial Guinea in accordance with the request of CONTRACTOR;

As requested by the Ministry, for travel approved by Company in advance, Company agrees

- (i) As a consequence of the payment of the per diems noted above, Company shall not make any payments to or on behalf of any Government of Equatorial Guinea travelers in relation to meals or other incidental or miscellaneous costs incurred by such travelers during such travel, and all such costs shall be for the sole account of such travelers.
- (ii) The Parties agree that all payments made pursuant to this Section 6.23 by Company to the Ministry, on behalf of the State, and to the provider of services, shall be recoverable expenses under this Contract as Petroleum Operations Costs, The Parties further agree that in relation to all payments made pursuant to this Section 6.23, Company is neither seeking nor shall it/ gain any business or business advantage from the Ministry or the Government of the Republic of Equatorial Guinea as a result of making such payments.

The amounts contemplated pursuant to this Section 6.23 shall be payable by Contractor by wire transfer or check made out to the Ministry in the resulting total amount. Notwithstanding the foregoing, with respect to the actual travel and lodging expenses provided by Section 6.23(a), Contractor may choose to pay such amounts directly to the provider of such services for travel and lodging. The sums paid by Contractor pursuant to this Section 6.23 will be included as cost recoverable Petroleum Operations Costs. As a consequence of the payment of the amounts noted above, Contractor shall not make any payments to or on behalf of any Government employee or official in relation to meals or other incidental or miscellaneous costs incurred by such employee or official during such travel, and all such costs shall be for the sole account of such employee or official.

ARTICLE 7

ROYALTIES, RECOVERY OF PETROLEUM OPERATIONS COSTS, AND DISTRIBUTION OF PRODUCTION

7.1 Royalties

7.1.1 The Contractor shall pay Royalties to the State from the first day of Production based on the daily Total Disposable Production from a Development and Production Area. The calculation shall be determined according to the following table applicable for each tranche:

Daily Total Disposable Production	Percentage of Royalties
0 to 40,000	13%
40,001 to 80,000	14%
80,001 to 120,000	14.5%
120,001 to 140,000	15%
Over 140,000	16%

7.1.2 The percentage corresponding to the level of Production shall be applied directly. Thus, for example: for a Production level of **ninety thousand (90,000)** Barrels per day, **fourteen point five percent (14.5%)** would be applied and the Royalty would be **thirteen thousand fifty (13,050)** Barrels.

7.2 Cost Recovery Oil

7.2.1 After deducting Royalties, the Contractor shall be entitled to up to seventy percent (**70%**) of the Total Disposable Production remaining in any Calendar Year for recovery of its Petroleum Operations Costs (**Cost Recovery Oil**).

7.2.2 The value of the portion of Total Disposable Production assigned to the Contractor's Petroleum Operations Costs recovered will be determined in accordance with Article 10.

7.2.3 If, during any Calendar Year, the Petroleum Operations Costs not yet recovered by the Contractor in accordance with this Contract exceed the value of the maximum amount of available Cost Recovery Oil, the portion of Petroleum Operations Costs not recovered in the said Year will be carried forward to the following Calendar Year for recovery purposes.

7.3 Net Crude Oil

The quantity of Total Disposable Production remaining every Year after the deduction of Royalties and Cost Recovery Oil will hereafter be referred to as **Net Crude Oil**, which will be shared between the State and the Contractor in the following proportions:

Accumulated Total Production (Million Barrels)	Entitlement of the State (%)	Entitlement of the Contractor (%)
0 – 70	20	80
70 – 140	30	70
140 – 200	35	65
200 – 400	40	60
over 400	50	50

7.4 Delivery of State's Entitlement

The State's share of Crude Oil to which it is entitled pursuant to Articles 7.1 and 7.3 shall be delivered to and accepted by the State or the Person appointed by it at the Delivery Point. The Contractor shall be free from all responsibility with respect to such Crude Oil from the time it has been delivered, However, should the State so require, the Contractor shall be obliged to purchase all or part of the State's share of Total Disposable Production, subject to the provisions of Article 7.5.

7.5 Price Obtained by Contractor

7.5.1 If, pursuant to Article 7.4, the State requires the Contractor to purchase its share of Crude Oil, the State shall advise the Contractor of its next scheduled shipment at least three (3) months in advance, and the Ministry and the Contractor shall come to a mutual agreement as to the terms and conditions of such sale and purchase. In the event that three (3) months advance notice is not given, or they do not reach an agreement as to the terms and conditions of the sale and purchase, the Contractor shall not be obliged to purchase said Crude Oil.

7.5.2 The Ministry shall be entitled to compare the price for its Crude Oil obtained from the Contractor with similar market quotations. In the event that it is shown that the price obtained from the Contractor differs substantially from the quotations in similar markets, the Ministry shall have the right to evaluate the Contractor's sales and marketing operations and, if justified, cancel any sales agreement between the State and the Contractor, without prejudice to any claim that the State may have against the Contractor with respect to the matters under dispute.

7.6 Export of Entitlement

Subject to Article 12 and the Hydrocarbons Law, each Party comprising the Contractor has the right to take, receive and freely export its share of Net Crude Oil and Cost Recovery Oil, provided it uses the services of an Equatoguinean Crude Oil maritime transport company, an international company associated with the National Company or any other local business that is able to provide the services under conditions that are internationally competitive in terms of price, quality, terms of payment and availability in accordance with Article 23.1. The Contractor will have the option to hire a company of its choice, should no local company be available to deliver such service.

7.7 Title to Contractor's Entitlement

Title to the Contractor's portion of Net Crude Oil and Cost Recovery Oil shall pass to the Contractor at the Delivery Point.

**ARTICLE 8
PARTICIPATION INTERESTS**

8.1 Liability for Petroleum Operations Costs

Subject to Article 8.2, the Parties comprising the Contractor shall fund, bear and pay all costs and expenses for Petroleum Operations under this Contract and the Joint Operating Agreement in the proportions set forth in Article 1.3. Each of the Parties comprising the Contractor shall be represented on the operating committee under the JOA and shall have voting rights as provided therein.

8.2 Participation Interest of the National Company

- 8.2.1 The National Company's Participation Interest will be carried and paid for in full by the other Parties comprising the Contractor (other than the National Company) in proportion to their respective Participation Interests (other than the National Company's) through the Exploration Period. At approval of the Development and Production Plan, the National Company shall convert its carried Participation Interest into a full working Participation Interest in accordance with the Hydrocarbons Law. From that point on, the National Company shall be responsible for all its costs in respect of the area covered by the approved Development and Production Plan. For the avoidance of doubt, the National Company's Participation Interest in respect of the remainder of the Contract Area shall continue to be carried and paid for by the Parties comprising the Contractor (other than the National Company) in proportion to their respective Participation Interests (not including the National Company's) until such time as the National Company elects to convert its carried interest into a full working interest.
- 8.2.2 The costs, expenditures and obligations, including the costs incurred pursuant to Article 6.23, incurred by the Parties comprising the Contractor (other than the National Company) in relation to the National Company's carried Participation Interest shall be recoverable by the Parties comprising the Contractor (other than the National Company) in accordance with the provisions of this Contract and the Hydrocarbons Law.
- 8.2.3 The Parties comprising the Contractor (other than the National Company) shall recover the costs and expenditures in relation to the National Company's carried Participation Interest from fifty percent (50%) of the Hydrocarbons corresponding to the National Company's total entitlement in accordance with Articles 7.2 and 7.3.

**ARTICLE 9
TAXATION**

9.1 Payment of Taxes

Except as otherwise provided in this Contract, the Contractor, its subcontractors and affiliates and their respective employees, agents, consultants and other personnel shall be subject to the Tax Law, Customs Law and all regulations passed pursuant

thereto, as well as CEMAC (Central African Economic and Monetary Community) and fiscal and customs laws of Equatorial Guinea,

9.2 Audit Rights

The provisions of Article 16 shall apply to Income Tax, Royalty payments and to all other obligations under this Contract.

ARTICLE 10 VALUATION OF CRUDE OIL

10.1 Market Price

- 10.1.1 The unit selling price of Crude Oil under this Contract shall be the FOB Market Price at the Delivery Point, expressed in Dollars per Barrel and calculated in accordance with this Article 10.1. A Market Price shall be established for each type of Crude Oil or Crude Oil blend in accordance with this Article 10.1.
- 10.1.2 The Market Price applicable to all liftings of Crude Oil sold to third Parties under market conditions during one Quarter shall be the agreed selling price, adjusted, as necessary, to reflect differentials in quality, gravity, quantity, delivery conditions and terms of payment.
- 10.1.3 Before the period in which a price for Crude Oil is quoted by Platts for the Field from where Crude Oil is sold, the Market Price applicable to all liftings of Crude Oil sold to a Contractor's Affiliate and later sold to a third party, will be the value received under the Contract under market conditions with the said third party, adjusted, as necessary, to reflect differentials in quality, gravity, quantity, delivery conditions and terms of payment. Should there be no price quoted by Platts for the produced Crude Oil, the Contractor and the Ministry shall meet to establish a differential related to a crude marker quoted by Platts to reflect the differential in terms of quality and the commercial differentials, The meeting shall be held six months after the introduction in the market; all the Persons comprising the Contractor and participating in the marketing of Crude Oil during that period of six months, shall attend such meetings with the Ministry.
- 10.1.4 The Market Price applicable to all liftings of Crude Oil sold to a Contractor's Affiliate after having set a quoted price during a Quarter will be calculated by summing up the average of high and low quotes for Dated Brent according to the data published in the five (5) consecutive issues of the Platts Bulletin for the Crude Oil Market (including all corrections) posterior to the lifting informed date and the differential average between the sold Crude Oil and the Dated Brent one as published in the Platts Crude for the period starting on the fifteenth day (15th) day and ends on the last day of the Month of the Load Commercialization (inclusive).

This is given by the following formula:

Price = A+ B, where:

A= average of the high and low quotes of Brent Dating according to the according to the data published in the five (5) consecutive issues of the Platts Bulletin for the Crude Oil Market (including all corrections) posterior to the lifting informed date.

B= differential average between the quality of the sold Crude Oil and the Dated Brent as published in the Platts Crude for the period starting on the fifteenth day (15th) day and ends on the last day of the Month of the Load Commercialization (inclusive).

Should the qualities of the Crude Oil produced from the Field not correspond, within tolerable bounds, a “C” adjustment will be created to bear in mind the differentials associated with the qualities that do not coincide with A and B. In such case, the Market Price formula will be modified as follows:

Price =A +B +C

Should the used Crude Oil stop being quoted to calculate the Market Price, the Ministry and the Contractor shall agree upon the Crude Oil which most closely resembles the Crude Oil whose prices are no longer quoted, in order to calculate the Market Price.

10.1.5 The Market Price applicable to all liftings of Crude Oil during one Quarter shall be equivalent to the weighted average of the prices obtained by the Parties comprising the Contractor, with the exception of the National Company, for all Crude Oil sold and valued in accordance with Articles 10.1.2, 10.1.3 and 10.1.4.

10.1.6 The following transactions shall be excluded from the calculation of the Market Price:

- a) Sales between Crude Oil providers and the national market; and
- b) Sales in which the compensation is different from a payment in a freely convertible currency, and sales totally or partially conducted due to reasons different from common commercial incentives for Crude Oil Sales in the international market (such as exchange contracts).

10.2 Disagreement of Market Price

10.2.1 The Contractor and the Ministry shall agree the Market Price in accordance with this Article 10; in the event that they are unable to agree on any matter concerning the Market Price of Crude Oil, either the Contractor or the Ministry may serve on the other a dispute notice. Within seven (7) days of the date of the dispute notice the Ministry shall establish a committee of two (2) Persons of which the Minister of Mines, Industry and Energy or his delegate will be the President and the other committee member will be a representative designated by the Contractor to represent it. The committee must meet and make a decision resolving any dispute under this Article 10 within thirty (30) days of the date of the dispute notice. The committee shall unanimously decide the dispute.

10.2.2 In the event a unanimous decision is not reached by the committee within the aforementioned thirty (30) day period, the dispute shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding on the Parties. The expert shall determine the Market Price in accordance with the provisions of this Article 10 within twenty (20) days from the date of his appointment. The determination of the expert shall be final and binding upon the Parties, and, if should it not be complied with pursuant to Equatorial Guinea legislation, either Parties may refer the matter

to arbitration under Article 26 to reach a final and binding decision. Unless otherwise determined by the expert, the costs and expenses of such expert shall be shared proportionately by the Parties on a per capita basis and the Contractor's share shall not be cost recoverable.

10.2.3 Pending the determination of the Market Price for a Quarter, the Market Price provisionally applicable to a Quarter shall be the Market Price of the preceding Quarter. Any necessary adjustment shall be made no later than thirty (30) days after the determination of the Market Price for the Quarter in question.

10.3 **Payment Deadline to the State of the Market Price should the Contractor Commercialize the State Crude Oil.**

According to Article 7.5, when the Contractor commercializes Crude Oil belonging to the State in favour of the State and the payment deadline has not been individually set under an Oil Commercialization Agreement with the State, within ten (10) days following every lifting, the Contractor shall provide the Ministry with full details relating to the prices resulting from the sale of each State Crude Oil lifting and Contractor shall forward the amounts resulting from such sales to the State within fourteen (14) days of receipt of such funds.

10.4 **Audit of Market Price**

The Ministry shall be entitled to audit and verify that the price obtained by the Contractor for each shipment of Crude Oil has been the price determined in accordance with this Contract. The Ministry has the right, during a period of two (2) Years from the transaction date, to assess the marketing practices of the Contractor and require the Contractor to pay the State for the difference between the price actually obtained and the Market Price determined in accordance with this Article 10. The disagreements with regard to the Market Price will be resolved in accordance with Article 10.2.2.

ARTICLE 11 BONUSES AND SURFACE RENTAL

11.1 **Signature Bonus**

The Contractor shall pay to the State a signature bonus of **two million Dollars (\$2,000,000)** within thirty (30) days of the Effective Date.

11.2 **Discovery Bonus**

On the date the Contractor notifies the Ministry for the first time that it deems a Discovery to be a Commercial Discovery in compliance with the provisions of Article 5.4, the Contractor shall pay to the State the sum of **two million Dollars (\$2,000,000)**.

11.3 **Production Bonuses**

The Contractor shall pay to the State the following sums as Production bonuses:

- (a) on the date of start Production of Crude Oil from a Development and Production Area, **two million Dollars (\$2,000,000)**;

- (b) **two million** Dollars (\$2,000,000) after daily Production from a Development and Production Area first averages **20,000** Barrels per day for a period of sixty (60) consecutive days;
- (c) **three million** Dollars (\$3,000,000) after daily Production from a Development and Production Area first averages **40,000** Barrels per day for a period of sixty (60) consecutive days;
- (d) **five million** Dollars (**\$5,000,000**) after daily Production from a Development and Production Area first averages **60,000** Barrels per day for a period of sixty (60) consecutive days; and
- (e) **six million** Dollars (\$6,000,000) after daily Production from a Development and Production Area first averages **120,000** Barrels per day for a period of sixty (60) consecutive days.

Such payments shall be made within thirty (30) days of the date that the liability accrues.

11.4 Surface Rentals

11.4.1 The Contractor shall pay to the State the following annual surface rentals:

- (a) **zero point twenty five** Dollars (\$0.25) per hectare of the Contract Area annually, for each Calendar Year or part thereof, during the Initial Exploration Period, the Extension Periods or any extension thereof; or
- (b) **two point five** Dollars (\$2.50) per hectare for each Development and Production Area, annually for each Calendar Year or part thereof, during the term of the relevant Development and Production period.

11.4.2 For the Year in which this Contract is signed, the surface rental set forth in Article 11.4.1(a) shall be prorated from the Effective Date through to 31 December of such Year and shall be paid within thirty (30) days after the Effective Date. For succeeding Years the surface rentals set forth in Article 11.4.1(a) and (b) shall be paid in advance not less than thirty (30) days before the beginning of each Calendar Year.

For the Calendar Year in which any Development and Production Area is granted the surface rental set forth in Article 11.4.1(a) and (b) shall be prorated from the date in which such Development and Production Plan is approved up to 31 December of said Calendar Year, and the additional sum shall be paid within thirty (30) days after the approval of the Development and Production Area. For succeeding Calendar Years the surface rental set forth in Article 11.4.1(b) shall be paid within thirty (30) calendar days after the beginning of each Calendar Year.

11.4.3 Surface rentals shall be calculated based on the surface of the Contract Area and, where applicable, of a Development and Production Area occupied by the Contractor on the date of payment of such surface rentals. For the avoidance of doubt, this shall exclude any relinquished areas. In the event of relinquishments made during a Calendar Year, the Contractor shall have no right to be reimbursed for the surface rentals already paid.

ARTICLE 12 OBLIGATION TO SUPPLY DOMESTIC MARKET

12.1 Obligation to Supply

In accordance with the Hydrocarbons Law, the Contractor shall meet as a priority the needs of domestic Hydrocarbon consumption, in Equatorial Guinea. For this purpose, and in accordance with the provisions of Articles 86 and 87 of the Hydrocarbons Law, if the State so requests, the Parties comprising the Contractor (other than the National Company, together with all other contractors which produce Net Crude Oil and/or Net Natural Gas, shall sell to the State, at the Delivery Point at international market price at terms to be agreed, a pro rata portion of its Net Crude Oil and/or Net Natural Gas for internal consumption in the country, provided that Contractor's obligation to supply Net Crude Oil and/or Net Natural Gas for purposes of meeting the domestic consumption needs shall not exceed the total of Contractor's entitlement of Gross Production of Net Crude Oil and/or Net Natural Gas after deduction of the State's Royalty under this Contract.

12.2 Notification from Ministry

No later than the first day of October of each Calendar Year, the Ministry shall notify the Parties comprising the Contractor (other than the National Company) of the quantities of Crude Oil and/or Natural Gas which it desires to purchase under this Article 12 for the subsequent Calendar Year. The Crude Oil and/or Natural Gas shall be delivered to the State or to the beneficiary designated by the State during such Calendar Year according to procedures to be agreed between the Ministry and the Contractor.

ARTICLE 13 NATURAL GAS

13.1 Unassociated Natural Gas

- 13.1.1 In the event of an Unassociated Natural Gas Discovery, the Contractor shall comply with the provisions of Article 5.2. However, if the Appraisal work program presented by the Contractor following the Discovery of Unassociated Natural Gas has a duration exceeding that of the Initial Exploration Period or any of its extensions, the Contractor may request from the Ministry an extension of the relevant Exploration Period with respect to the Appraisal Area related to such Discovery for a period of up to four (4) Years starting from the expiry of the Initial Exploration Period or any of its Extension Periods, as appropriate. The Contractor shall request the aforementioned extension at least sixty (60) days prior to the expiry of the relevant period.
- 13.1.2 If the Contractor considers that the Unassociated Natural Gas Discovery does not warrant Appraisal or further Appraisal, in conformity with the provisions of Article 5.12, the Ministry may, with ninety (90) days' advance notice, require the Contractor to relinquish all of its rights over the Appraisal Area encompassing such Discovery.
- 13.1.3 In the same manner, if after completion of the Appraisal work, the Contractor considers that the Unassociated Natural Gas Discovery is not commercial, the Ministry may, with ninety (90) days' advance notice, require the Contractor to relinquish all of its rights over the Appraisal Area encompassing such Discovery.
- 13.1.4 In both the above cases the Contractor shall be deemed to have waived all its rights to the Hydrocarbons produced from such Unassociated Natural Gas Discovery, and

the State may then carry out, or cause to be carried out, all the Petroleum Operations relating to that Discovery, without compensation or indemnification to the Contractor, provided, however, that such work shall not prejudice the performance of other Petroleum Operations of the Contractor. The Ministry may request that the Contractor undertake all continuing operations for a fee and on terms to be agreed between the Ministry and the Contractor.

13.2 Associated Natural Gas

- 13.2.1 In the event that a Discovery of Crude Oil is considered to be a Commercial Discovery, the Contractor shall state in the report referred to in Article 5.3 whether it considers that the Production of Associated Natural Gas is likely to exceed the quantities necessary for the requirements of Petroleum Operations relating to the Production of Crude Oil (including re-injection operations), and whether it considers that such excess is capable of being produced in commercial quantities. In the event the Contractor has informed the Ministry of such an excess, the Ministry and the Contractor shall jointly assess the possible markets and uses for such excess of Associated Natural Gas, both on the local market and for export (including the possibility of joint marketing of their shares of Production of that excess of Associated Natural Gas in the event such excess would not otherwise be commercially exploitable), together with the means necessary for its marketing.
- 13.2.2 In the event the Ministry and the Contractor should decide that the Development of the excess Associated Natural Gas is justified, or in the event the Contractor should wish to develop and produce such excess, the Contractor shall indicate in the Development and Production Plan the additional facilities necessary for the Development and Production of such excess and its estimate of the costs related thereto. The Contractor shall then proceed with the Development and Production of such excess in accordance with the Development and Production Plan submitted and approved by the Ministry under Article 5.5. A similar procedure shall be applicable if the sale or marketing of Associated Natural Gas is agreed during the Production of a Field.
- 13.2.3 In the event the Contractor does not consider the exploitation of the excess Associated Natural Gas is justified and if the State at any time wishes to utilize it, the Ministry shall notify the Contractor of the State's wish, in which event:
- (a) the Contractor shall put at the disposal of the State free of charge the Crude Oil and Associated Natural Gas separation facilities for all or part of such excess that the State wishes to utilize;
 - (b) the State shall be responsible for the gathering, treatment, compression and transportation of such excess Associated Natural Gas from the receiving point at the Contractor's facilities and for bearing any additional costs and liabilities related thereto; and
 - (c) the construction of the facilities necessary for the operations referred to in paragraph (b) above, together with the recovery of that excess by the State shall be carried out in accordance with generally accepted practice of the international petroleum industry.
- 13.2.4 In no event shall the Operations carried out by the State in relation to such Associated Natural Gas interfere with Petroleum Operations of the Contractor.

13.2.5 Any excess Associated Natural Gas not utilized in accordance with Articles 13.2.1, 13.2.2 and 13.2.3 shall be re-injected by the Contractor in accordance with Article 6.14. Flaring will be permitted only in accordance with the Hydrocarbons Law and is subject to the approval of the Ministry. The Contractor shall be permitted to flare Associated Natural Gas without the approval of the Ministry in the event of an emergency, provided that every effort is made to diminish and extinguish such flaring of Natural Gas as soon as possible. The Ministry has the right to offtake, free of charge, at the wellhead or gas oil separator all Natural Gas that would otherwise be re-injected or flared by the Contractor.

13.3 Provisions Common to Associated and Unassociated Natural Gas

13.3.1 The Contractor shall dispose of its share of the Production of Natural Gas in accordance with this Contract and the Hydrocarbons Law. The provisions of this Contract applicable to Crude Oil shall apply *mutatis mutandis* to Natural Gas unless otherwise specified herein.

13.3.2 The selling price for all Natural Gas to be sold in the domestic market shall be set by the Ministry in accordance with the Hydrocarbons Law. The selling price for all Natural Gas to be sold outside of the domestic market shall be as agreed between the Ministry and the Contractor. The Ministry and Contractor shall proceed in good faith to negotiate a gas sales agreement, if required.

13.3.3 For the purposes of Articles 7.3 and 11.3, the quantities of available Natural Gas after deduction of the quantities re-injected, flared or necessary for the conduct of Petroleum Operations shall be expressed in a number of Barrels of Crude Oil on a BTU equivalent energy content basis adjusted monthly by a commercially appropriate factor relating the price of Natural Gas with the price of Crude Oil in terms of the provisions of Article 10.3, unless otherwise agreed between the Ministry and the Contractor.

13.3.4 The provisions of Article 7.2 in respect of cost recovery shall apply *mutatis mutandis* to the Production of Natural Gas.

13.3.5 The quantity of Natural Gas produced and saved from the Contract Area which remains after the Contractor has taken the portion for the recovery of Petroleum Operations Costs pursuant to Article 13.3.4 shall be referred to as **Net Natural Gas**.

13.3.6 Subject to the Hydrocarbons Law, the Ministry and the Contractor hereby agree that, in the case of Natural Gas Production, they shall reach separate agreements and arrangements with respect to the sale and marketing of Natural Gas.

ARTICLE 14 CUSTOMS REGULATIONS

14.1 Importation of Goods, etcetera

14.1.1 In accordance with the stipulations of Articles 63 and 64 of the Hydrocarbons Law, the Contractor shall be permitted to import into Equatorial Guinea all the goods, materials, machinery, equipment and consumer goods directly necessary to properly carry out Petroleum Operations in its own name or in the name of its sub-contractors or other Persons acting on its or their behalf.

14.1.2 For the purpose of this Contract, the Contractor shall benefit from the following advantages:

- (a) All materials, products, machinery, equipment and tools necessary for Petroleum Operations, provided that these goods, which are exclusively destined and actually dedicated directly to Petroleum Operations and that are destined to be re-exported at the end of their use, will be treated as imported under the conditions stipulated in the Customs Code, the importation in compliance with the regulations of Temporary Admission (TA) or Temporary Imports (TI), either normal or special, whichever is the case for the Contractor, for its subcontractors and Persons acting on its or their behalf, of all materials, products, machinery, equipment and tools necessary for Petroleum Operations; and
- (b) Admission with exemption from any tax and/or duty of all materials, products, machinery, equipment and tools totally used or consumed in Equatorial Guinea, exclusively and effectively devoted to Hydrocarbon prospecting, Exploration, Development, and Production Operations subject to this Contract. This exemption applies to imports directly made by the Contractor, its subcontractors and Persons acting on its behalf, on condition that a certificate of end use is issued.

14.1.3 Apart from the exemptions established in the above paragraphs of this Article 14 and the items referred to in Article 14.1.4, which are waivers that may be granted by the Government according to the law, all goods, materials, products, machinery and equipment imported or exported by the Contractor shall be subject to taxes and/or duties, in accordance with the customs legislation in force in Equatorial Guinea.

14.1.4 The Contractor shall follow the procedures to obtain such waivers, according to the Decree 134/2015 of 2nd of November 2015. The Government shall grant those waivers in accordance with the law to import all goods, materials, machinery, equipment and consumer goods directly needed to implement such Petroleum Operations on behalf of the Contractor or on behalf of its subcontractors or other Persons acting on behalf of the Contractor or its subcontractors in such a way that the import of these items be free and exempt from all customs duties, taxes and fees different from charges resulting from the delivery of the services needed to comply with customs legislation.

14.2 Oil Export Rights

Subject to Article 12, the Contractor, its purchasers and transporters will have the right to export and at any time the quantities of Cost Recovery Oil and Net Crude Oil belonging to the Contractor from the Delivery Point selected for this purpose free of taxes and/or duties and fees different from charges resulting from the delivery of the services needed to comply with customs legislation.

14.3 Export of Goods and Materials that have not been transferred to the State

In compliance with the customs obligations as set out in this Contract and regulations currently in force, the Contractor, its subcontractors and Persons acting on its or their behalf may export or re-export, free of taxes, import duties and fees different from charges resulting from the delivery of the services needed to comply with customs legislation, goods imported within the framework of this Contract when

they are no longer necessary for Petroleum Operations, provided that their ownership has not been transferred to the State in accordance with the terms of this Contract. However, all goods not subject to rental, which from a financial and accounting position are already cost-recovered, will not be re-exported under any customs regime.

14.4 Customs Documentation

All imports, exports and re-exports in the framework of this Contract shall be subject to the formal procedures required by customs authorities pertaining to documentation, except in the case of an emergency requiring urgent action, in which Contractor shall submit all required documentation as soon as it reasonably can, but not later than ten (10) days after the arrival of the goods in Equatorial Guinea,

14.5 Exclusion of Penalties and Fines related to Petroleum Operations Costs

Should the Contractor or their subcontractors, representatives or agents be considered liable for the payment of fines, penalties or any other legal duties related to any non-compliance with the laws related to the use and enjoyment by the Contractor of the benefits described in Article 14, such fines, penalties or other legal duties shall be excluded from the Petroleum Operational Costs of the Contractor.

14.6 Imports and Exports by Foreign Personnel

Subject to Article 14.5, the foreign personnel appointed to work in Equatorial Guinea on behalf of the Contractor or its subcontractors and their families, shall be permitted to import their personal belongings and household articles in bulk shipments free of any kind of customs duties, taxes or fees different from charges resulting from the delivery of the services needed to comply with customs legislation within the first year as from their initial entrance in Equatorial Guinea and, then, every two years. Any shipment for subsequent resale shall not be considered as personal belongings. The personal belongings and household articles that have been exempt from import duties and fees shall also be exempt from export duties and fees once the subsequent export has taken place.

ARTICLE 15 FOREIGN CURRENCY

15.1 Exchange Control Laws

The Contractor and its subcontractors and all Persons acting on its or their behalf must comply with all applicable exchange control laws of Equatorial Guinea. However, as long as they shall have met their respective payment and tax obligations under this Contract and the laws of Equatorial Guinea, they shall benefit, during the term of this Contract, from the following rights regarding Petroleum Operations:

- (a) to retain or dispose of any proceeds outside of Equatorial Guinea including any proceeds from the sale of its or their share of Hydrocarbons;
- (b) to pay foreign subcontractors and expatriate employees of the Contractor, outside of Equatorial Guinea, after deduction of the relevant taxes in Equatorial Guinea. For this purpose, the Contractor may open and use freely bank accounts in Dollars or in other currencies in banks of its choice in Equatorial Guinea and abroad. Notwithstanding the foregoing, while this

Contract is in force the Contractor and each of its subcontractors shall establish and maintain a bank account in a national banking institution in Equatorial Guinea, which shall have the Minimum Retention as set out in Article 1.1.77, which has been approved by the Ministry and, in the case of subcontractors, the minimum amount set by the Ministry from time to time;

- (c) to transfer such funds as the Contractor or its subcontractors shall have imported into Equatorial Guinea, or earned from Petroleum Operations, or from the proceeds of the sale or lease of goods or performance of services under this Contract;
- (d) to obtain abroad loans required for the performance of their activities under this Contract, provided that the Ministry shall have approved the terms of such loan, including the rate of interest and terms of repayment, whose approval shall not be unreasonably withheld or delayed);
- (e) to collect and maintain abroad all the funds acquired or borrowed abroad, and to freely dispose thereof, limited to the amounts that exceed the requirement of funds for their operations in Equatorial Guinea; and
- (f) free movement of funds owned by them according to the laws of Equatorial Guinea.

15.2 Report on Foreign Exchange Transactions

The Contractor and its subcontractors shall submit to the Ministry of Finance and Budgets, within forty-five (45) days of the end of each Quarter, a report with details of any foreign exchange transactions made during the preceding Quarter, including any transactions directly related) to Petroleum Operations on accounts opened abroad and made in accordance with the provisions of Article 15.1.

15.3 Freedom of Exchange

The Contractor's and its subcontractors' expatriate employees shall be permitted, in accordance with the regulations then in effect in Equatorial Guinea, to freely exchange and to freely transfer to their country of origin any savings arising from their salaries, as well as any retirement and personal benefits paid by or for such employees, provided they have met their tax obligations in Equatorial Guinea.

ARTICLE 16 BOOKS, ACCOUNTS, AUDITS AND PAYMENTS

16.1 Maintenance of Records and Books

16.1.1 The Contractor shall at all times maintain at its offices in Equatorial Guinea the original records and books of Petroleum Operations in accordance with all applicable regulations and the Accounting Procedure.

16.1.2 All records and books shall be maintained in the Spanish and English languages and be denominated in Dollars, or such other currency as shall be requested by the Ministry from time to time. They shall be supported by detailed documents demonstrating the expenses and receipts of the Contractor under this Contract. Such records and books shall be used to determine the Contractor's Gross Revenues, Petroleum Operations Costs and net profits, and to establish the Contractor's Income

Tax and other payment obligations. Such records and books shall also include the Contractor's accounts showing sales of Hydrocarbons.

16.2 Submission of Accounts

Within ninety (90) days after the end of a Calendar Year, the Contractor shall submit to the Ministry detailed accounts showing the Petroleum Operations Costs which the Contractor has incurred during such Calendar Year. The Contractor may request the approval of the Ministry for an additional extension of up to thirty (30) days; such approval shall not be unreasonably withheld or delayed. The accounts shall be certified by an independent external auditor acceptable to the Ministry and the Contractor. The expenses of such an auditor shall be met by the Contractor and shall be deemed a Petroleum Operations Cost.

16.3 Audit of Ministry

16.3.1 After notifying the Contractor, the Ministry may have experts of its choice or its own agents examine and audit any records and books relating to Petroleum Operations. The Ministry has a period of three (3) years from the date the Contractor submits to the Ministry such records and books in accordance with Article 16.2, to perform such examinations or audits with respect to the said Calendar Year and submit its objections to the Contractor for any contradictions or errors found during such examinations or audits.

16.3.2 The Contractor shall provide to the Persons designated by the Ministry any necessary assistance for the foregoing purpose and facilitate the performance of their duties. The Contractor shall bear all reasonable expenses incurred in such examination or audit, which shall be recoverable as Petroleum Operations Costs. However, any expenses incurred for the audit and inspection of accounting books and records outside of Equatorial Guinea due to the Contractor's non-compliance with this Article 16 shall be borne by the Contractor and will not be recoverable as a Petroleum Operations Cost or deductible for tax purposes.

16.3.3 In the event of a disagreement between the Ministry and the Contractor in relation to the results of any examination or audit, the dispute shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding on the Parties. Unless otherwise determined by the expert, the costs and expenses of such expert shall be met proportionately by the Parties on a per capita basis and the Contractor's share shall not be a Petroleum Operations Cost.

16.4 Currency and Account of Payments

16.4.1 All payments between the Parties under this Contract shall, unless otherwise agreed, be in Dollars, or such other currency as shall be requested by the Ministry from time to time. Subject to Article 16.4.2, when the receiving Party is the State, payments shall be made to the General Treasury of the State, and when the receiving Party is the Contractor, payments shall be made to a bank account designated by the Contractor and notified to the Ministry.

16.4.2 All payments to be made to the Ministry pursuant to Article 23.2.2 shall be made to such account as shall be notified) to the Contractor.

16.5 Timing and Overdue Payments

Unless otherwise agreed, all payments under this Contract shall be made within thirty (30) days following the date on which the obligation to make such payment occurs. In the event of a delay in payment the amount due shall bear interest compounded monthly at the rate of LIBOR plus two percent (2%) per annum.

ARTICLE 17 TRANSFER, ASSIGNMENT AND CHANGE OF CONTROL

17.1 Transfer to Equatoguinean Affiliate

Within the second (2nd) Calendar Year following the Effective Date, to the extent that they have not already done so, each of the Parties comprising the Contractor (other than the National Company) shall incorporate an Affiliate under the laws of Equatorial Guinea and OHADA and shall assign all of its rights and obligations in and under this Contract, the Joint Operating Agreement and any other agreement relating to Petroleum Operations to such Affiliate. After such transfer, all of the rights and obligations of the Parties comprising the Contractor under this Contract, the Joint Operating Agreement and any other agreements relating to Petroleum Operations shall be assumed by such Affiliate(s). Any assignment or transfer under this Article 17.1 shall not be subject to the provisions of Articles 17.2 and 17.3. The foregoing assignment or transfer shall not affect any parent company or bank guarantee provided pursuant to this Contract.

17.1.1 As to the withholding tax on dividends, pursuant to Article 237 of Law Number 4/2004 dated October 28, 2004, Regulating the Taxation System of the Republic of Equatorial Guinea (the “**Dividend Withholding Tax**”):

For a Field for which the Development and Production Plan has been approved by the Ministry in accordance with Article 5.5 above, the Dividend Withholding Tax will not accrue or be due and payable and is waived in its entirety (“**Withholding Tax Waiver**”) for ten (10) Calendar Years commencing with first commercial production from such qualifying Field.

17.2 Assignment, Transfer, Change of Control

17.2.1 The assignment, transfer, or other disposition of the rights and/or obligations of a Party comprising the Contractor shall require the prior consent of the Ministry. Any request for authorization shall be accompanied by all information related to the assignment, transfer, or other disposition including all legal instruments, in final draft form, to be used to carry out the proposed transaction, the identity of all parties to the transaction, the estimated value of the transaction and whether the consideration is payable in kind, securities, cash or otherwise. Such assignment, transfer, or other disposition shall be subject to the payment of a non-recoverable, non-deductible fee (“**Transfer Fee**”) of (i) one percent (1%) of Book Value of the assignment, transfer, or disposition when such occurs during the Exploration Periods, and (ii) two percent (2%) of Book Value of the assignment, transfer, or disposition when such occurs during Development and Production Operations, and other non-monetary requirements stipulated in the authorization issued by the Ministry. The assignee and the assignor shall be jointly and severally liable for the payment of such Transfer Fee and for the fulfillment of any other requirements. If within ninety (90) days following notification to the Ministry of a proposed assignment

accompanied by the necessary information to prove the technical and financial means of the assignee as well as the terms and conditions of assignment, the Ministry has not given notice of his opposition with reasonable justification, such assignment shall be deemed to have been approved by the Ministry.

Any assignment, transfer, or other disposition of the rights and/or obligations of a Party comprising the Contractor to an Affiliate shall not be subject to the Transfer Fee.

17.2.2 All assignees must:

- (i) have the technical and financial ability to meet its obligations under this Contract;
- (ii) in relation to the interest assigned, accept and assume all of the terms and conditions of this Contract, the Joint Operating Agreement and any other agreements relating to Petroleum Operations; and
- (iii) be an entity with which the Ministry and each of the Parties comprising the Contractor can legally do transactions.

17.2.3 All profits resulting from any assignment, transfer or other disposition of any rights and/or obligations under this Contract, regardless of the type and location of the transaction, shall be subject to taxation in conformity of the Tax Law of Equatorial Guinea.

17.2.4 Subject to Article 104 of the Hydrocarbon Law and Article 168 of the Petroleum Regulations, each and every one of the Parties comprising the Contractor shall have the right to sell, grant, hand over, transfer or dispose in any other manner all or part of their rights and interests in the Contract, subject to the prior written consent of the Ministry, which shall not be withheld or delayed with no justified reason:

- (a) To a wholly owned Affiliate;
- (b) To the beneficiary of the transfer as foreseen in Article 17.1;
- (c) To any of the other Parties comprising the Contractor; or
- (d) To third parties.

17.2.5 If there is an assignment or transfer all or part of their rights and interests in the Contract by Company to a third party, the third party assignee will purchase all existing data packages (both seismic and well) over the Area for one million five hundred thousand Dollars (\$1,500,000).

17.3 Change of Control

For the purposes of this Article 17 the transfer of ownership of more than fifty percent (50%) of the shares of any Party comprising the Contractor (other than the National Company) or any similar transfer that results in a change of Control shall be deemed to be an assignment of contractual rights under this Contract and consequently subject to the terms and conditions of this Article 17, except for the cases of transfers to an Affiliate wholly owned by any Party comprising the Contractor (except for the

National Company), in which case such transfer shall not be deemed a change of Control.

17.4 Recourse to Third Party Funding

Recourse by any Party comprising the Contractor to third party funding which involves the assignment of rights over its entitlement to Hydrocarbons under this Contract is not permitted without the prior consent of the Ministry, which consent shall not be unreasonably withheld or delayed with no justified reason.

17.5 The National Company's Right of Preemption

When an assignment, transfer or other disposition of any rights under this Contract to a third party is anticipated, the assigning Party must notify in writing the National Company as soon as practicable. The National Company shall then have the right to purchase the assigning Party's interest under this Contract and proposed to be assigned, transferred or otherwise disposed of on the same terms and conditions as those offered to a bona-fide assignee. This right is in addition to any right of pre-emption granted to the National Company under the Joint Operating Agreement. This right of pre-emption is not applicable to any assignment, transfer or other disposition of any rights under this Contract to an Affiliate.

ARTICLE 18 INDEMNIFICATION, LIABILITY AND INSURANCE

18.1 Liability and Indemnity

18.1.1 The Contractor shall indemnify, hold harmless and compensate any Person, including the State, for any damage or loss which the Contractor, its Affiliates, its subcontractors and their respective directors, officers, employees, agents or consultants and any other Person acting on its or their behalf may cause to such Person or their property in the conduct of Petroleum Operations. All costs incurred under this Article 18.1 caused by the negligence or willful misconduct of the Contractor, its Affiliates, its subcontractors or their respective directors, officers, employees, agents or consultants or any other Persons acting on its or their behalf shall not be cost recoverable as a Petroleum Operations Cost.

18.1.2 The Contractor shall assume all liability, and exempt the State from any liability, in respect of any and all claims, obligations, losses, expenses (including attorneys' fees), damages or costs of any nature resulting from the violation of any intellectual property rights of any kind caused by the Contractor, its Affiliates or subcontractors as a result of or in relation to the conduct of Petroleum Operations, regardless of the nature of the violation or of the way in which it may occur.

18.2 Joint and Several Liability

Where the Contractor is comprised of more than one Person, the liabilities and obligations of such Persons under this Contract shall be joint and several, except for their obligations and liabilities in relation to all taxation assessed on their income, including capital gains tax or any other similar tax or withholding tax in lieu of income or similar tax.

18.3 Insurance

- 18.3.1 The Contractor shall obtain and, during the term of this Contract, maintain in full force and effect, for Petroleum Operations insurance of such type and in such amount as is customary and prudent in accordance with generally accepted practice of the international petroleum industry, and whose coverage terms and conditions shall be communicated to the Ministry within thirty (30) days after the Effective Date. The foregoing insurance shall, without prejudice to the generality of the foregoing provisions, cover:
- (a) any loss or damage to all assets used in Petroleum Operations;
 - (b) pollution caused in the course of Petroleum Operations;
 - (c) property loss or damage or bodily injury or death suffered by any Person in the course of Petroleum Operations;
 - (d) the cost of removing wrecks and clean-up operations following an accident or upon decommissioning; and
 - (e) the Contractor's liability to its employees engaged in Petroleum Operations.
- 18.3.2 The Contractor shall require its subcontractors to carry insurance of such type and in such amount as is customary in accordance with generally accepted practice of the international petroleum industry.
- 18.3.3 The Contractor shall use all reasonable endeavors to place the insurance required under this Article 18 with Equatoguinean insurance brokers and insurance companies.

ARTICLE 19

TITLE OF GOODS, EQUIPMENT AND DATA

19.1 Title and Use of Facilities, etcetera

All installations, facilities, goods, equipment, materials or land acquired by the Contractor for Petroleum Operations shall become property of the State from the point at which their costs are fully recovered by the Contractor. The Ministry shall authorize the Contractor to continue using those permanent facilities and equipment that continue to prove useful in carrying out Petroleum Operations, in accordance with Article 32 of the Hydrocarbons Law.

- 19.1.1 The Contractor and the Ministry shall agree the mode and conditions of such use, subject to ensuring their maintenance in good condition and good working order, normal wear and tear excepted. In any case, upon termination, rescission or cancellation of this Contract, for any reason whatsoever, in relation to all or any part of the Contract Area, the ownership of said installations, facilities, goods, equipment, materials or land, and including those whose costs have not been fully recovered, and any other items acquired and used for Petroleum Operations shall become the sole property of the State and shall be conveyed directly to it.
- 19.1.2 Regardless of whether or not the Contractor has recovered the relevant costs in accordance with this Contract, the State is entitled to use the said facilities, goods, equipment, materials or land for its own purposes, provided that such use does not interfere with the Contractor's Petroleum Operations.

- 19.1.3 Under no circumstances may the Contractor sell, assign, transfer or otherwise dispose of any such facilities, goods, equipment, materials or land to any other Persons.
- 19.1.4 The provisions of this Article 19.1 shall not apply to any leased equipment or to the Contractor's equipment that is not charged to Petroleum Operations as a Petroleum Operations Cost.
- 19.1.5 If the Ministry does not wish to use any of the facilities, goods, equipment and materials referred to in this Article 19.1, it has the right to request the Contractor to remove them at the Contractor's own expense, and the Contractor will carry out any decommissioning operations of the said facilities, goods, equipment and materials in accordance with this Contract and the Hydrocarbons Law, and based on the time frame and specified conditions in the approved decommissioning plan.

19.2 Ownership of Data

All data, technical information and interpretations obtained, acquired or derived as a result of Petroleum Operations shall be the sole property of the State. However, the Contractor may retain copies of all such materials for the duration of this Contract only, including, among others, geological, geophysical, petrophysical and engineering reports, Well reports, termination reports, samples and any other information that the Contractor may have obtained or compiled during the term of this Contract. The Contractor shall forward such data, technical information and interpretations to the Ministry as soon as they are acquired, derived or compiled and shall also provide the Ministry on an annual basis with a report that itemizes all such data, technical information and interpretations that have been assembled during the Year. Unless previously provided, at the termination of this Contract or at any time of relinquishment, the Contractor shall return to the Ministry all original data, technical information and interpretations relating to the areas relinquished and will remove all copies of such from the Contractor's files, archives, computers and data storage mechanisms.

ARTICLE 20 CONFIDENTIALITY

20.1 Disclosure of Confidential Information

- 20.1.1 The Parties agree that for the duration of this Contract, the terms hereof and all information relating to this Contract and Petroleum Operations shall be kept strictly confidential and may not be divulged by any Party without mutual consent, except:
- (a) to an Affiliated Company;
 - (b) to any governmental agency, designated by the State or other entities or consultants of the Ministry;
 - (c) to the extent that such data and information is required to be furnished in compliance with any applicable laws or regulations;
 - (d) in conformity with the requirements of any stock exchange having jurisdiction over a Party;

- (e) where any data or information forms part of the public domain otherwise than a result of a breach of this Contract;
- (f) to employees, directors, officers, agents, advisors, consultants or subcontractors (both actual and potential) of a Party comprising the Contractor or an Affiliate;
- (g) to any company with a bona fide interest in the carrying out of a possible assignment; and
- (h) to any bank or financial establishment with which an entity of the Contractor solicits or obtains financing,

provided that the disclosing Party shall be responsible for any and all breaches of this Article by such Persons and provided further that any disclosure to the Persons referred to in paragraphs (f), (g) and (h) above shall be limited to those Persons who are under a duty of confidentiality similar to that contained in this Article 20.1.

20.1.2 For an additional period of two (2) Years after the termination of this Contract, only the Parties comprising the Contractor (other than the National Company) shall be obliged to comply with the above stated requirements.

20.2 The Contractor's Patents

The State shall not reveal to any third parties information pertinent to the Contractor's own technology that is protected by patents or contractual agreements, or which the State has received under license For a period of two (2) Years after termination of this Contract.

20.3 Continuation of Obligations

Any Party ceasing to own a Participation Interest in this Contract during the term of this Contract shall nonetheless remain bound by the obligations of confidentiality set forth in this Article 20.

20.4 Disclosure of Confidential Information by the State and Ministry

In order to explore and exploit areas adjoining or related to the Contract Area, the State and the Ministry may, notwithstanding this Article 20, disclose to any third parties a limited set of data and information relating to part or parts of the Contract Area and Petroleum Operations hereunder, upon agreement with the Contractor.

ARTICLE 21 TERMINATION

21.1 Termination by the State

Notwithstanding any other actions contemplated herein, this Contract may be terminated, without compensation to the Contractor, on any of the following grounds:

- (a) a material breach by the Contractor (not attributable to any act or omission of the State or to any Person representing the State) of any of the provisions of this Contract or the Hydrocarbons Law;

- (b) a delay by the Contractor (not attributable to any act or omission of the State or to any Person representing the State) in making any payment owed to the State that exceeds three (3) months;
- (c) the suspension of Development works on a Field for six (6) consecutive months, except when such suspension (i) has been approved by the Ministry in advance, or (i) is due to an act or omission on the part of the State or of any Person representing the State, or (i) is as a result of Force Majeure,
- (d) when, after the commencement of Production of a Field, its exploitation is suspended for at least three (3) consecutive months, without the prior permission of the Ministry, except when such suspension (i) is due to an act or omission on the part of the State or of a Person representing the State, or (i) is as a result of Force Majeure;
- (e) when the Contractor fails to comply within the prescribed time period with an arbitration award in accordance with the provisions of Article 26, and the failure to comply is not attributable to any act or omission of the State or to any Person representing the State;
- (f) when a Well is drilled to' an objective beyond the vertical planes of the limits of the Contract Area without the prior consent of the Ministry;
- (g) a breach of this Contract arising out of activities which are illegal or contrary to national or international law (not attributable to any act or omission of the State or to any Person representing the State);
- (h) under the provisions of Article 2.3; or
- (i) when the Contractor is declared bankrupt, or in liquidation as a result of financial insolvency, or enters into judicial or financial arrangements on insolvency with its creditors generally, except when the Contractor can provide the State with a new financial guarantee that is acceptable to the Ministry in its sole discretion, and that guarantees the capacity of that Party to fulfill its obligations under this Contract.

21.2 Notice of Termination and Grace Period

- 21.2.1 The Ministry may declare this Contract terminated only after having served a formal notice on the Contractor, by registered mail, requesting it to remedy the situation or breach in question, and, if the situation or breach in question is capable of remedy, requesting it to remedy the same within five (5) Business Days from receipt of such notice regarding payments due under Article 21.1(b) or within three (3) months from receipt of such notice for all other situations or breaches capable of remedy. Otherwise the effective date of the termination of this Contract shall be date of receipt by the Contractor of the foregoing notice.
- 21.2.2 If the Contractor fails to comply with such notice within the prescribed time period or fails to show within such five (5) Business Days or three (3) month period that it has commenced and is promptly and diligently continuing to remedy the situation or breach in question, the Ministry may pronounce *ipso jure* the termination of this Contract.

21.3 Termination against one Party

The Ministry may terminate this Contract as to one of the Parties comprising the Contractor, if the circumstances set forth in Article 21.1 are applicable to only that Party in the manner set forth in Article 21.2.

ARTICLE 22 UNITIZATION

22.1 Obligation to Unitize

If any Hydrocarbon bearing reservoir lying within the Contract Area extends beyond such area, the Contractor must carry out all Development and Production in respect of such Hydrocarbon bearing reservoir in accordance with the Hydrocarbons Law. The Contractor shall use all reasonable endeavors to reach a mutually acceptable unitization agreement and program with all other affected Persons.

22.2 Suspension of Obligations

In the event that Petroleum Operations that are the subject of this Contract are 50 suspended by reason of negotiations arising in respect to a unitization scenario in relation to a specific Discovery, the provisions of Article 5.3 for such Discovery shall be extended for a period of time equal to the duration of such suspension.

ARTICLE 23 LOCAL CONTENT AND SOCIAL PROGRAMS

23.1 Regulation of National Content

The Contractor shall comply with the Local Content Regulation enacted by the Ministry in the Ministerial Order 1/2014 of 26th of September 2014, abiding by the duties established in this Article 23. For all non Material Contracts, the Contractor, with no obligation to bid and without the Ministry's approval (which will be regarded as granted pursuant to the Hydrocarbon Law):

- (a) before awarding a service contract, the Contractor shall notify the Ministry the need for such services;
- (b) the Ministry shall provide a list of national companies to the Contractor within fifteen (15) days of Contractor's notice of the need for such services. The Contractor shall support the Ministry by including the national companies of the list the Contractor regards as competent in the bids required in the framework of this Contract;
- (c) When granting the contracts, the Contractor shall give preference to the national companies included in the list given by the Ministry according to Article 23.1(b), in agreement with the Decree 127/2004. Should the Contractor consider that such companies are not competent or not in compliance with Contractor's compliance and financial requirements, the contract may be granted to a foreign company, according to Articles 12 and 13 of the Ministerial Order 1/2014;
- (d) The Contractor shall notify the foreign company winning the tender regarding the hire of services about the conditions specified in Article 23.1(c);

- (e) the Contractor shall send the Ministry, at the end of July and January of every calendar year, a list of the subcontractors that have provided services in Equatorial Guinea during the previous period;
- (f) in the contracts that imply service delivery or goods supply in Equatorial Guinea, the Contractor shall include clauses that make the subcontractors to abide by the specifications of the Ministerial Order 1/2014;
- (g) the Contractor shall organize workshops to make the national companies aware of the requirements demanded by the Operator in terms of service delivery;
- (h) the Contractor shall notify the Ministry, which in turn shall inform all the additional competent authorities, of the vacancies and new jobs to implement the works in Equatorial Guinea;
- (i) at the beginning of the Operations of Development and Production, the Contractor shall hand over and agree a plan with the Ministry to hire national employees and empower them; this action shall include tasks and actions for their professional development to be carried out at the offices of the Operator in Dallas with the possibility of joining the Technical Team of Operations of Equatorial Guinea to reach the reasonable and feasible nationalization targets, and shall send updated information to the Ministry with regard to the implementation of such a plan at the end of July and January of each subsequent year; and
- (j) The Contractor shall send to the Ministry a description of the tools used to evaluate the national employees.

23.2 Employment and Empowerment of Equatoguinean Personnel

23.2.1 At the beginning of the Operations of Development and Production of the S Block, the Operator shall ensure priority of employment of Equatoguinean qualified personnel at all levels of its organization, according to the following table and on the basis of the competences and skills of the employees. For the purpose of this Article, the technicians proposed by the National Company will also be taken into account as long as they have the competences and experience required; such employees will join the technical team of the operator under the personnel coverage in secondment. The Operator shall empower or contribute to the training of the aforementioned personnel so that they acquire the competences and skills required to fill any vacancy, including the supervision positions, related to Petroleum Operations. However, the Operator will only have to hire the numbers of personnel needed to implement the Petroleum Operations in a cautious and profitable manner.

Positions	Percentage of National Employees	Percentage of Expatriate Employees
Total number of employees	75 %	25 %
Technical and professional positions (Geologists and engineers, legal experts, financial experts, safety, health and environment)	60 %	40 %
Supervision and management positions	50%	50 %
Technicians working offshore (including Safety, Health and Environment)	85 %	15 %
Support and administration services	100 %	0 %

23.3 Preference to Equatoguinean Services

The Contractor and its subcontractors undertake to give preference to Equatoguinean services, materials, equipment, consumables and other goods whose quality and time of delivery are comparable to those available internationally, provided that the cost in Equatorial Guinea is no more than ten percent (10%) above the cost of similar services, materials, equipment, consumables and other goods available internationally.

23.4 Employment and Training of Equatoguineans

23.4.1 From the Effective Date, the Contractor shall ensure priority employment for adequately qualified Equatoguinean personnel in all levels of their organization, as the employee's skill allows, and as provided for in Article 23.2.2, shall train or contribute in the training of such personnel to enable them to qualify for any position relating to Petroleum Operations. Expatriate personnel may only be employed if the Contractor and its subcontractors have exhausted all possibilities of recruiting adequately qualified) Equatoguinean personnel in the required area of specialization.

23.4.2 During the term of this Contract, the Parties comprising the Contractor (other than the National Company), during the Exploration Period, shall spend **one hundred thousand** Dollars (\$100,000) per Calendar Year, to provide a mutually agreed number of Ministry and National Company personnel with on-the-job training in the Contractor's operations in Equatorial Guinea and overseas and/or practical training at institutions abroad, particularly in the areas of natural earth sciences, engineering, technology, accounting, economics and other related fields of oil and gas exploration and exploitation ("**Job Training**"). During the term of this Contract, the Parties comprising the Contractor (other than the National Company), during the Development and Production Period, shall spend **three hundred thousand Dollars** (\$300,000) per Calendar Year, to provide Job Training.

The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.4.3 Additionally, during the term of this Contract, the Parties comprising the Contractor (other than the National Company) shall transfer to the Ministry one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and

shall transfer to the Ministry three hundred thousand Dollars (\$300,000) per Calendar Year during the Development and Production Period, which the Ministry shall use at its sole discretion to educate and train Equatoguinean personnel selected by the Ministry at universities, colleges or other training institutions selected by the Ministry and for other general training and educational purposes (“**Training Funds**”).

The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.5 Social Projects

If the Contractor funds any social projects outside of those approved in an Annual Budget such costs shall not be recoverable as a Petroleum Operations Cost.

Given that Equatoguinean civil’ society is a part of the local content in oil and gas contracts, the Contractor shall commit one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall commit four hundred fifty thousand Dollars (\$450,000) per Calendar Year during the Development and Production Period, to cooperate with non-governmental organizations in charitable works to develop society, sport activities and health programs to fight and prevent disease, as well as other non-profit related activities. The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.6 National Technology Institute

The Contractor shall transfer to the Ministry one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall transfer to the Ministry three hundred thousand Dollars (\$300,000) per Calendar Year during the Development and Production Period, and provide other reasonable non-monetary assistance as may be requested by the Ministry from time to time with the implementation and development of the National Technology Institute to train and develop mid and upper level personnel in the petroleum industry of Equatorial Guinea and in accordance with the Hydrocarbons Law. The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.7 National Database of the Ministry of Mines and Hydrocarbons

The Contractor shall transfer to the Ministry one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall transfer to the Ministry three hundred thousand Dollars (\$300,000) per Calendar Year during the Development and Production Period, and provide other reasonable non-monetary assistance as may be requested by the Ministry from time to time with the implementation and development of the a data base of seismic and well data in the petroleum industry of Equatorial Guinea and in accordance with the Hydrocarbons Law. The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

ARTICLE 24 DECOMMISSIONING

24.1 Relinquishment or Decommissioning

- 24.1.1 Subject to Article 2.5.2, the Contractor may at any time relinquish and/or abandon any portion of the Contract Area or any Well not included in a Field subject to having given three (3) months prior notice to the Ministry, provided that the Contractor shall have fulfilled all of its obligations under this Contract and that it has given the Ministry full details of the state of any reservoir and the facilities and equipment in such area in addition to any plans for the removal or dismantling of such facilities and equipment including all technical and financial information. All decommissioning operations must be undertaken in accordance with the Hydrocarbons Law.
- 24.1.2 The decommissioning of a Field by the Contractor and its corresponding decommissioning plan shall require the prior approval of the Ministry in accordance with the Hydrocarbons Law. The Contractor shall prepare and deliver to the Ministry a plan for the decommissioning of all Wells, facilities and equipment, the rehabilitation of the landscape and the continuation of Petroleum Operations, if applicable, in accordance with the Hydrocarbons Law.
- 24.1.3 Unless the Ministry elects to keep the facilities and equipment in order to continue Petroleum Operations in accordance with Article 24.3.3, the Contractor is obligated to fully decommission all Fields within the Contract Area.

24.2 Right of Ministry

Upon receipt by the Ministry of the notice referred to in Article 24.1.1 or upon the decommissioning of any Field, the Ministry shall be entitled to take over any Discovery or Field whose decommissioning is proposed by the Contractor. If the Ministry does not communicate its desire to take over Petroleum Operations within three (3) months of receipt of the relevant notice, it shall be deemed to have elected not to do so.

24.3 Reserve Fund

- 24.3.1 In order to implement the decommissioning of a Field, the Contractor shall contribute to a reserve fund for the estimated decommissioning costs, (the **Reserve Fund**) in accordance with the Hydrocarbons Law and the approved decommissioning plan, and shall be included as a recoverable cost. As for the constitution of the Reserve Fund, it will begin from the Fifth (5) year from the first production at an international bank holding at least a Standard and Poor's A- rating to be agreed by the Parties. All contributions mentioned will be deductible for tax purposes and will be considered as a cost of Petroleum Operations in the year in which they were contributed.
- 24.3.2 In the event that the total amount of the Reserve Fund is greater than the actual cost of decommissioning, the account balance shall be distributed between the State and the Contractor in accordance with Article 7.3. In the event that the amount of the Reserve Fund is less than the actual cost of decommissioning operations, the Contractor shall be liable for the remainder.
- 24.3.3 In the event that the Ministry elects to keep the facilities and equipment in order to continue Petroleum Operations after the withdrawal of the Contractor, the Reserve Fund so established together with the related interest shall be put at the Ministry's disposal to cover the later decommissioning. The Contractor shall be released from any further decommissioning liability in respect of such facilities and equipment.

24.4 Continuing Operations

The State undertakes not to interfere with the conduct of Petroleum Operations in the Contract Area retained by the Contractor in the event that the State should elect to take over a Discovery or Field pursuant to Article 24.2. If requested by the Ministry, the Contractor shall undertake to continue all operations for a fee and on terms to be agreed between the Ministry and the Contractor.

24.5 Protection of the Environment

The Contractor shall duly plug all the Wells and decommission all facilities and equipment in order to avoid contamination and harm to the environment and possible damage to the reservoir, in accordance with the Hydrocarbons Law, the other laws of Equatorial Guinea and generally accepted practice of the international petroleum industry.

ARTICLE 25 APPLICABLE LAW

25.1 Applicable Law

This Contract and all Petroleum Operations carried out hereunder shall be governed by and construed in accordance with the laws and regulations of Equatorial Guinea,

25.2 Change in Law

Should a Change in the Law occur, and if as a consequence of its implementation, such a Change in the Law caused, to the detriment of the Contractor or its shareholders, a decrease in economic rights or an increase in the economic obligations included in or resulting from this Contract, the Parties shall take adequate measures to achieve the necessary economic balance, based on the principle that the Contractor shall be restored to the same economic status it would have if no change had occurred. Such Contractor's restoration shall not exceed the benefits received by the State and by other third beneficiaries of the Change in the Law, as a result of such a change. This norm shall never be interpreted as if the Contractor is being denied the advantages it could benefit from as a result of the new law, decree, norm, order or regulation passed by the State.

25.3 Business Standards

Each Party represents and warrants that it did not engage any person, firm or company as a commission agent for purposes of this Contract and that it has not given or offered to give nor will it give or offer to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of significant value, as an inducement or reward for doing or forbearing to do any action or take any decision in relation to this Contract, or for showing or forbearing to show favor or disfavor to any person in relation thereto. The Contractor further represents and warrants that no loan, reward, offer, advantage or benefit of any kind has been given to any official of the State or any person for the benefit of such official or person or third parties, as consideration for an act or omission by such official in connection with the performance of such person's duties or functions or to induce such official to use his or her position to influence any act or decisions of the administration with respect to this Contract.

ARTICLE 26
RESOLUTION OF CONFLICTS AND ARBITRATION

26.1 Dispute Resolution and Notification

26.1.1 In the event of any dispute, claim, conflict or controversy (a Dispute) between any of the Parties arising out of, or in relation to, this Contract, including any question regarding its breach, existence, validity or termination, the Parties shall take all reasonable measures to resolve such Dispute amicably.

26.1.2 If the relevant Parties have not reached an amicable agreement after three (3) months of the date of the notice of a Dispute by one Party to another, unless the Parties to the Dispute mutually agree to an extension, any Party to the Dispute may refer the Dispute for resolution by final and binding arbitration:

- (a) to the International Centre for the Settlement of Investment Disputes (the Centre) established by the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington, March 18, 1965 (the **ICSID Convention**);
- (b) to the Additional Facility of the Centre, if the Centre is not available; or
- (c) in accordance with the Arbitration Rules of the International Chamber of Commerce (**ICC**), if neither the Centre or the Additional Facility are available.

26.1.3 The Parties hereby consent to submit to the Centre any dispute arising out of or relating to this Contract for settlement by arbitration pursuant to the Rules of Arbitration of the Centre. The State and the National Company agrees not to make, and hereby irrevocably waives, in relation to any Dispute, whether relating to acts of a sovereign or governmental nature or otherwise, all claims of immunity (sovereign or otherwise) by it or on its behalf from the jurisdiction of, and from the enforcement of any arbitral award rendered by, an arbitral tribunal constituted pursuant to this Contract as well as all claims of immunity from the service of process or the jurisdiction of any court in aid of the jurisdiction of such arbitral tribunal or in connection with the enforcement of any such award.

26.2 Seat and Language of Arbitration

The seat of the arbitration shall be agreed by the Parties to the Dispute and, in case of a disagreement, shall be determined by the arbitrators. The languages of the arbitration proceedings, and of all orders, decisions, and the award, shall be Spanish and English.

26.3 Number and Identity of Arbitrators

The arbitral tribunal shall be constituted by three (3) arbitrators selected according to the following procedure:

- (a) The claimant and the respondent shall, within thirty (30) days from the day on which a request for arbitration has been submitted, appoint an arbitrator each (and if there is more than one claimant or more than one (1) respondent, then the claimants and/or the respondents collectively shall each appoint a

single arbitrator), by giving notice in writing of such appointment to the Secretary-General of ICSID and the other Party or Parties to the Dispute.

- (b) If either the claimant or the respondent fails to comply with the time limit in the preceding paragraph, the Chairman of the Administrative Council of ICSID shall appoint the arbitrator or arbitrators that have not yet been appointed, at the request of either the claimant or the respondent and after consulting the claimant and the respondent as far as possible. The Chairman of the Administrative Council of ICSID shall give notice in writing of such appointment or appointments to the Secretary-General of ICSID and the claimant and the respondent.
- (c) The two (2) arbitrators so appointed shall, within thirty (30) days of their appointment agree upon the person to be appointed as the President of the tribunal, and give notice of such appointment to the Secretary-General of ICSID and the claimant and the respondent.
- (d) If the two (2) arbitrators fail to agree upon the person of the President of the tribunal, the Chairman of the Administrative Council of ICSID shall appoint the President, at the request of either the claimant or the respondent, and after consulting the claimant and the respondent as far as possible. The Chairman of the Administrative Council of ICSID shall give notice in writing of such appointment to the Secretary-General of ICSID and the claimant and the respondent.

None of the arbitrators shall be a citizen of the countries of any of the Parties to the Dispute (or in the case where the Party is a company or another entity, any country or countries of nationality of such Party, including the country of its ultimate parent).

26.4 Rules of Arbitration

The arbitration procedures initiated under this Contract shall operate under the arbitration rules in effect for ICSID, the Additional Facility or ICC, as the case may be, at the time of the filing of the request for arbitration, which rules are deemed to be incorporated herein by reference in this Article 26.

26.5 Binding Nature of Arbitration

The arbitration award shall be final and binding on the Parties and shall be immediately enforceable, subject to the remedies provided for in the ICSID Convention and Arbitration Rules, in the Arbitration Rules of the Additional Facility of the Centre, or in the ICC Arbitration Rules, as appropriate. The Parties waive any right to refer any question of law, and any right of appeal on the law and/or merits to any court. It is expressly agreed that the arbitrators shall have no authority to award aggravated, exemplary or punitive damages.

26.6 Costs of Arbitration

The costs of arbitration shall be charged in accordance with the directions of the arbitration tribunal, failing which shall be borne proportionally by the Parties to the Dispute on a per capita basis. The costs of the Parties comprising the Contactor shall not be recoverable.

26.7 Payment of Awards

Any monetary award issued shall be expressed and payable in Dollars.

ARTICLE 27
FORCE MAJEURE

27.1 Non-fulfillment of Obligations

Any obligation or condition arising or derived from this Contract which any Party is unable to perform, whether in whole or in part, shall not be considered as a breach or non-fulfillment of its obligations under this Contract if such breach or nonperformance is caused by an event of Force Majeure, provided that there is a direct cause-and-effect relationship between the non-performance and the event of Force Majeure. Notwithstanding the foregoing, all payment obligations owed by any Party to another must be made when due.

27.2 Definition of Force Majeure

For the purposes of this Contract, an event shall be considered an event of Force Majeure if it meets the following conditions:

- (a) it has the effect of temporarily or permanently preventing a Party from performing its obligations under this Contract;
- (b) it is unforeseeable, unavoidable and beyond the control of the Party which declares Force Majeure; and
- (c) it is not a result of the negligence or willful misconduct of the Party which declares Force Majeure,

Such an event shall include acts of God, earthquake, inclement weather, strike, riot, insurrection, civil unrest, blockade, sabotage and acts of war (whether declared or not). The Parties intend for the term of Force Majeure to be construed in accordance with the principles and practice of the international petroleum industry.

27.3 Notification of Force Majeure

If any Party is unable to comply with any obligation or condition provided herein due to Force Majeure, it shall notify the other Parties in writing as soon as possible, and in any event not later than fourteen (14) days after the event in question, giving the reason for its non-compliance and a detailed account of the Force Majeure, as well as the obligation or condition affected. The Party affected by the Force Majeure shall use all reasonable endeavors to remove the cause thereof, keep the other Parties fully informed of the situation and the current evolution of the Force Majeure event and shall promptly notify the other Parties as soon as the Force Majeure event is over and no longer prevents it from complying with its obligations or conditions hereunder.

27.4 Continuation of Obligations

All obligations, other than those affected by the event of Force Majeure, shall continue to be performed in accordance with this Contract.

27.5 Cessation of Force Majeure

Upon the cessation of the event of Force Majeure, the relevant Party shall undertake and complete, as soon as practicable and within a time frame to be mutually agreed by the Parties, all obligations suspended as a result thereof.

27.6 Continuation of Force Majeure

When a Force Majeure event lasts more than ninety (90) days, the Parties will forthwith consult to examine the situation and implications for Petroleum Operations, in order to establish the course of action appropriate for the fulfillment of contractual obligations under the circumstances of the said Force Majeure. In such event the term of this Contract will be extended by the same amount of time that the Force Majeure has lasted.

ARTICLE 28 ASSISTANCE AND NOTICE

28.1 Assistance of Ministry

28.1.1 The Ministry shall facilitate, within its authority and in accordance with the rules and procedures in effect in Equatorial Guinea, the performance of the Contractor's activities by granting it all permits, licenses and access rights that are reasonably necessary for the purposes of Petroleum Operations, and by making available to it all necessary services with respect to Petroleum Operations in Equatorial Guinea.

28.1.2 The Ministry shall also facilitate and assist the Contractor in obtaining all permits, licenses or rights not directly related to Petroleum Operations, but which the Contractor may reasonably require for the purposes of fulfilling its obligations under this Contract.

28.2 Notices and Other Communications

All notices, approvals or other communications authorized or required between the Parties by any of the provisions of this Contract shall be in writing (in Spanish and English), addressed to such Parties and delivered in person by courier service or by any electronic means of transmitting written communications which provides written confirmation of complete transmission. For purposes of this Contract, oral communication does not constitute notice or approval, and e-mail addresses and telephone numbers for the Parties are listed below as a matter of convenience only. A notice or approval given under any provision of this Contract shall be deemed delivered only when actually received by the Party to whom such notice or approval is directed, and the time for such Party to deliver any communication in response to such originating notice or approval shall run from the date the originating notice or approval is received. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices or approvals be directed to another Person at another address, by giving written notice thereof to all other Parties.

For the State:

MINISTRY OF MINES AND HYDROCARBONS

Autovia Aeropuerto — Ela Nguema

Malabo II, Malabo — Guinea Ecuatorial

Malabo, Bioko Norte

Republic of Equatorial Guinea

For the attention of: His Excellency the Minister of Mines and Hydrocarbons

Telephone: + (240) 09 3567, 09 3405
Facsimile: + (240) 093353

For the Contractor:

Kosmos Energy Equatorial Guinea

c/o Circumference (Cayman), P.O.
Box 32322, 4th Floor, Century Yard,
Cricket Square, Elgin Avenue,
George Town, Grand Cayman, KY1-1209, Cayman Islands

For the attention of: **General Counsel**

Telephone: +1 214 445 9600

Facsimile: +1 214 445 9705

For the National Company:

GUINEA ECUATORIAL DE PETRÓLEOS

Torre Gepetrol

Autovia Aeropuerto — Ela Nguema

Malabo 11, Malabo — Guinea Ecuatorial

GEPetrol P.O. Box

965 Malabo

Equatorial Guinea

For the attention of: Director General

Telephone: + (240) 096769

Facsimile: + (240) 096692

**ARTICLE 29
MISCELLANEOUS**

29.1 Amendments

This Contract may only be amended in writing and by mutual agreement between the Parties; any purported amendments in contravention of this provision shall not be effective.

29.2 No Partnership

This Contract shall not be construed to create an association, joint venture or partnership between the Parties or to impose any partnership obligation or liability upon a Party.

29.3 Hydrocarbons Law

All Petroleum Operations and the Contractor are subject to the provisions of the Hydrocarbons Law and the Petroleum Regulations in effect from time to time.

29.4 Entire Agreement

With respect to the subject matter contained herein, this Contract (i) is the entire agreement of the Parties and (ii) supersedes all prior understandings and negotiations of the Parties.

29.5 No Waiver

In the event of a waiver by any Party of one or more defaults by another Party in the performance of the provisions of this Contract, such waiver shall not operate or be construed as a waiver of any future default or defaults by the same Party, whether of a like or of a different character. Except as expressly provided in this Contract no Party shall be deemed to have 'waived, released or modified any of its rights under this Contract unless such Party has expressly stated, in writing, that it does waive, release or modify such right.

29.6 No Conflict

29.6.1 Each of the Parties constituting the Contractor undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in connection with activities contemplated under this Contract.

29.6.2 In the event of any conflict between the main body of this Contract and its Annexes, the main body shall prevail. In the event of any conflict between this Contract and the Hydrocarbons Law, the Hydrocarbons Law shall prevail.

**ARTICLE 30
INTERPRETATION**

30.1 The table of contents and headings used in this Contract are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Contract relating to any topic are to be found in any particular Article.

30.2 Reference to the singular includes a reference to the plural and vice versa. **30.3** Reference to any gender includes a reference to all other genders.

30.3 Unless otherwise provided, reference to an Article or an Annex means an Article or Annex of this Contract.

30.4 The words 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.

30.5 Any reference to a Person shall be construed as including a reference to its successors, permitted transferees and permitted assignees.

30.6 Any reference to a statute or enactment shall be construed as a reference to such statute or enactment as it may have been or may be amended or re-enacted from time to time, or any subordinate legislation made or legal norm created, or may from time to time be done, under such statute or enactment.

30.7 Reference to this Contract or part thereof or any other document shall be construed as a reference to the same as it may be amended, supplemented, novated or replaced from time to time.

**ARTICLE 31
EFFECTIVE DATE**

This Contract shall become effective upon the date the Contractor receives notification in writing of its ratification by the President of Equatorial Guinea.

IN WITNESS WHEREOF, the Parties have executed this Contract in **three (3)** originals in the Spanish language and **three (3)** originals in the English language. In the event of any conflict, the Spanish version shall prevail.

**THE REPUBLIC OF EQUATORIAL GUINEA
THE MINISTRY OF MINES AND HYDROCARBONS**

Signature: /s/ H.E. Señor Don Gabriel M. Obiang Lima

Name: H.E. Señor Don Gabriel M. Obiang Lima

Title: Director General

THE NATIONAL COMPANY

Signature: /s/ Don Antonio Oburu Ondo

Name: Don Antonio Oburu Ondo

Title: Director General

THE COMPANY

KOSMOS ENERGY EQUATORIAL GUINEA

Signature: /s/ Andrew Inglis

Name: Andrew Inglis

Title: Director

**ANNEX A
CONTRACT AREA**

This Annex is an integral part of this Contract between the Republic of Equatorial Guinea and the Contractor.

Upon the Effective Date, the initial Contract Area covers an area deemed equal to 1,245 (one thousand two hundred forty-five) square kilometres (km²) or (124,500 (one hundred twenty-four thousand five hundred) hectares (Ha) for the purposes of Article 11.4.

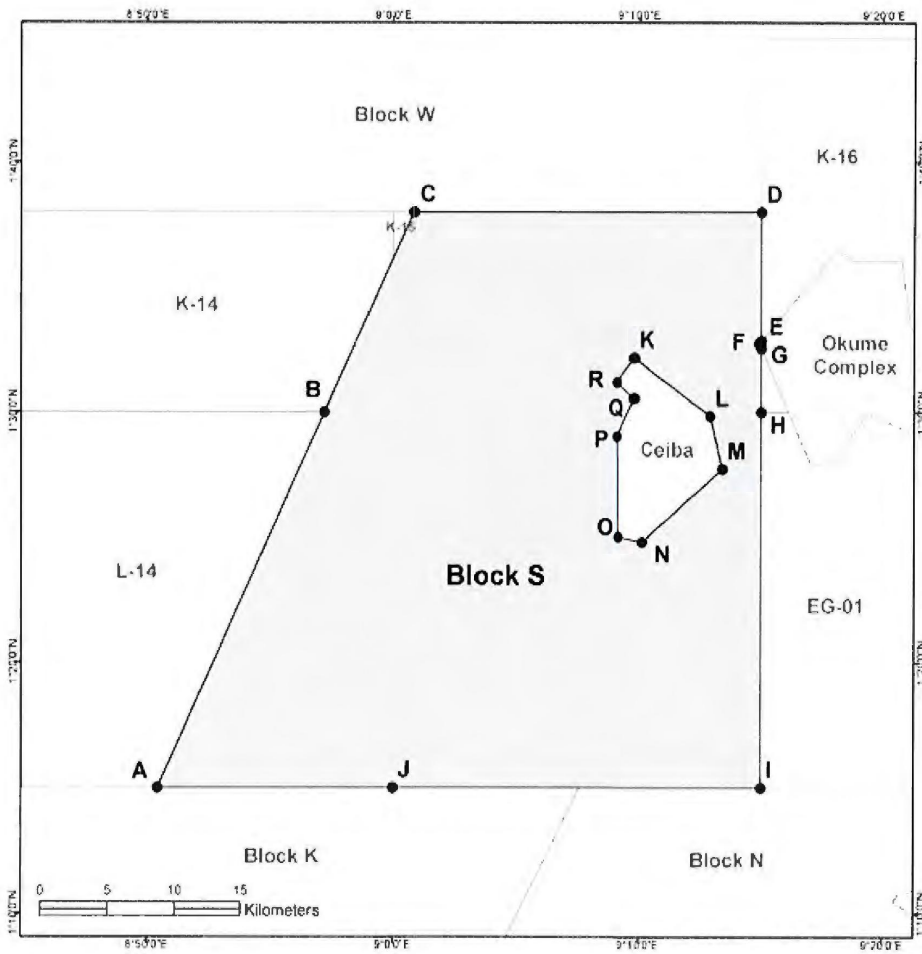
The Contract Area is described on the map in Annex B. The points indicated on such map are defined below, by reference to the Greenwich meridian and their geographic coordinates

(Block Name	Point	2 (UTM)	Y (UTM)	Lat (DD)	Long (DD)	Lat (DMS)	Long (DMS)
Block S	A	482211.093694	1381153.318022	1.250000000000	8.840280000000	1° 15' 00" N	8° 50' 25" E
Block 5	B	494827.743573	165795.594419	1.500000000000	8.953500000000	1° 30' 00" N	8° 57' 12.609" E
Block 5	C	501544.861885	180532.904974	1.633330000000	9.013890000400	1° 38' 00" N	9° 00' 50" E
Block 5	D	577807.536910	180534.591997	1.633330000000	9.250000000000	1° 18' 00" N	9° 15' 00" E
Block 5	E	527808.711136	171041.737143	1.547480000900	9.250000000000	1° 32' 50.916" N	9° 15' 00" E
Block 5	F	527647.200000	170856.200000	1.545770000000	9.248550000000	1° 32' 44.775" N	9° 14' 54.771" E
Block 5	G	527808.779715	170490.498886	1.542460000000	9.250000000000	1° 32' 32.855" N	9° 15' 00" 1
Block 5	H	577909.360460	165797.017650	1.500000000000	9.250000000000	1° 30' 00" N	9° 15' 00" E
Block 5	I	527812253705	1381154.101398	1.250000000000	9.250000000000	1° 15' 00" N	9° 15' 00" 1
Block 5	1	500000.000000	1381152.777732	1.250000000000	9.000000000000	1° 15' 00" N	9° 00' 00" E
Block 5	1(518200.000000	1698130.0090011	1.536220000000	9.163620000000	1° 32' 10.406" N	9° 9' 49.021" 1
Block 5	L	524006.000000	165510.000000	1.497320000000	9.215750000000	1° 29' 50.339" N	9° 12' 56.717" E
Block S	Ni	524900.000000	161600.000000	1.462030000000	9.223840000000	1° 27' 43.313" N	9° 13' 25.831" E
Block S	N	5188013.009000	156200.000000	1.413180000000	9.169000000000	1° 24' 47.453" N	9° 14 8.406' 1
Block 5	0	517009000000	156600.000000	1.436800000000	9.152820000000	1° 25' 0.485" N	9° 9' 10.155' E
Block 5	P	516900.000000	164000.000000	1.483750000000	9.153930000000	1° 29' 1.503" N	9° 9' 6.935' E
Block 5	CE	518200.000000	166800.000900	1.509080000000	9.163620000000	1° 30' 32.696" N	9° 9' 49.014" 1
Block S	R	516900.009000	168000.000000	1.519940000000	9.151930000000	1° 31' 11.783" N	9° 9' 6.944" E

ANNEX B
MAP OF THE CONTRACT AREA

This Annex is attached to this Contract between the Republic of Equatorial Guinea and the Contractor and forms an integral part of the same.

This map is included for illustrative purposes only and in the event of any discrepancies or conflict, the Contract Area shall be defined by the geographical co-ordinates specified in Annex A.



ANNEX C
ACCOUNTING PROCEDURE

This Annex is an integral part of the Contract between the Republic of Equatorial Guinea and the Contractor.

Article 1
GENERAL PROVISIONS

1.1 PURPOSE

The object of this Accounting Procedure is to establish equitable criteria and methods of calculation and accounting applicable to the provisions of the Contract, and in particular when:

- (a) classifying and defining Petroleum Operations Costs; and
- (b) prescribing the manner of preparing and submitting the financial statements of the Contractor in accordance with accounting principles in effect in Equatorial Guinea.

1.2 INTERPRETATION

For the purposes of this Accounting Procedure, the terms used herein and which are defined in the Contract shall have the same meaning when used in this Accounting Procedure. In the event of any discrepancy or conflict between the provisions of this Accounting Procedure and any other provisions of the Contract, the provisions of the Contract shall prevail.

1.3 ACCOUNTING RECORDS AND REPORTS

1.3.1 In accordance with the provisions of Article 16.1 of the Contract, the Contractor shall maintain in its office in Equatorial Guinea original, complete, true and correct accounts, books and records of the Production and disposition of Hydrocarbons, and all costs and expenses under the Contract, as well as all other records and data necessary or proper for the settlement of accounts in accordance with the laws of Equatorial Guinea, generally accepted accounting procedures and generally accepted practice in the international petroleum industry and pursuant to the chart of accounts agreed pursuant to Article 1.3.2 below.

1.3.2 Within sixty (60) days from the Effective Date, the Contractor shall submit to and discuss with the Ministry a proposed outline for the chart of accounts and the books, records and reports in accordance with generally accepted standards and consistent with normal petroleum industry practices and procedures.

Within sixty (60) days of receiving the above proposal, the Ministry shall either provide notice of its approval of the proposal, or shall request revisions of such chart of accounts in writing.

Within one hundred and eighty (180) days after the Effective Date, the Contractor and the Ministry shall agree on the outline of the chart of accounts, books, records, and reports which shall describe the basis of the accounting system and procedures to be developed and used in accordance with this Accounting Procedure. Following

such agreement, the Contractor shall immediately prepare and provide the Ministry with formal copies of the detailed and complete chart of accounts and manuals related to the procedures, and a list of the data and records to be accounted for, recorded, reported and to be followed under the Contract.

1.3.3 In addition to the generality of the foregoing, the Contractor shall submit to the Ministry, at regular intervals, statements relating to the Petroleum Operations, including, but not limited to, the following:

- (a) monthly statement of Production;
- (b) quarterly statement of value of Production and pricing;
- (c) statement of Petroleum Operations Costs;
- (d) annual statement of Petroleum Operations Cost not yet recovered;
- (e) statement of Production sharing;
- (f) annual end-of-year statement;
- (g) Annual Budget tracking statement;
- (h) Annual statement of tangible goods subject to depreciation; and
- (i) Quarterly, the state of goods, materials and properties which are anticipated to be transferred to the State within three months of said report, due to the full recovery of its cost.

1.3.4 All reports and statements shall be prepared in accordance with the Contract, the laws of Equatorial Guinea and any regulations thereunder and in accordance with generally accepted practice of the international petroleum industry.

1.3.5 Within sixty (60) days after the Calendar Year, the Contractor shall submit to the Ministry the execution of the budgets as well as the annual accounts (the balance sheet, the cash flow statement and the income statement) and the schedule of amortizations, attaching for the report of internal audit for reliability of said information.

1.4 LANGUAGE AND UNIT OF ACCOUNT

Unless otherwise agreed all accounts, records, books and reports shall be prepared and maintained in Spanish and English and shall be denominated in Dollars. Additionally, Contractor may maintain accounts and records in other languages and currencies for information purposes only.

1.5 VERIFICATION AND AUDIT RIGHTS OF THE STATE

1.5.1 When the Ministry exercises its right of audit under Article 16.3 of the Contract, it shall provide notice to the Contractor, at least sixty (60) days in advance regarding such audit, which shall take place during normal business hours. The Contractor shall make available to the Ministry all accounts, books, records, invoices, cash vouchers, debit notes, price lists or any other documentation relating to Petroleum Operations. Furthermore, the auditors shall have the right, in connection with such

audit, to visit and inspect at reasonable times any of the Contractor's sites, plants, facilities, warehouses and offices which affect Petroleum Operations directly or indirectly and to question personnel associated with those Operations.

The Contractor shall endeavor to provide records and accounts from any of its 62 Affiliates or other Persons necessary to support charges from them. If an Affiliate or any other Person considers such information confidential or proprietary, the Ministry may select an internationally recognized independent firm of public accountants to carry out an audit, subject to the approval of the Affiliate or other Person, such approval not to be unreasonably withheld or delayed. If the Ministry does not conduct an audit within the time stipulated in accordance with Article 16.3 of the Contract, the Contractor's accounts, books and records shall be deemed correct and final.

- 1.5.2 Any audit exceptions shall be made in writing and notified to the Contractor within ninety (90) days of completion of the corresponding audit. Failure to give such exception by the Ministry shall be deemed to be an acknowledgement of the accuracy of the Contractor's books and accounts.
- 1.5.3 If the Contractor fails to respond to any notice of exception under Article 1.5.2 within ninety (90) days of receipt of such notice, the results of the audit will be considered valid and accepted by the Contractor. After the said period of time the Ministry's exception shall prevail.
- 1.5.4 Any adjustments resulting from an audit shall be promptly applied to the Contractor's accounts; any adjustments to payments due shall also be effected promptly.
- 1.5.5 If the Contractor and the Ministry are unable to reach final agreement on the proposed audit adjustments they shall resolve the dispute in accordance with the provisions of Article 16.3.3 of the Contract.

When audit related issues are still outstanding, the Contractor shall preserve any relevant documents and allow the Ministry access to them until the issue is finally resolved.

1.6 CURRENCY EXCHANGE RATES

The exchange rate shall be determined monthly, based on the arithmetic average of the closing buy and sell rates for the Dollar against the CFA (Communauté Financière Africaine or African Financial Community) currency unit for the month, as published by the Bank of Central African States (BEAC).

The exchange rate of the preceding calendar month shall be used for exchange transactions and for the purpose of determining the counter value of Dollars in the Equatoguinean currency unit for the next month.

1.7 ACCOUNTING BASIS

All books and accounts shall be prepared on an accrual accounting basis. Revenues shall be posted to the accounting period in which they were earned, without any need to recognize whether a given transaction results in a disbursement or cash receipt. Expenses and costs shall be regarded as incurred, in the case of physical items, during the accounting period in which the relevant title is transferred to the

Contractor and in the case of services during the accounting period in which such services are rendered.

1.8 REVIEW OF ACCOUNTING PROCEDURE

By mutual agreement between the Ministry and the Contractor, this Accounting Procedure may be revised periodically by a document in writing executed by the Parties.

ARTICLE 2
GENERAL CLASSIFICATION OF PETROLEUM COSTS

All costs related to Petroleum Operations shall be classified in accordance with their end use. Classification criteria shall be included in the approved Annual Work Program and Annual Budget for the Calendar Year in which the expenditure is made. All Petroleum Operations Costs shall be classified, defined and allocated as set forth below.

2.1 EXPLORATION COSTS

Any and all direct, general and administrative costs incurred during Hydrocarbon Exploration and Appraisal activities in an area which is part of the Contract 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;
- (c) any labor, materials, supplies, and services used in drilling Exploration Wells and Appraisal Wells;
- (d) any facilities used solely in support of the purposes described in paragraphs (a), (b) and (c) above, including access roads and acquired geological and geophysical data, all separately identified;
- (e) any other cost incurred in the Exploration and Appraisal of Hydrocarbons after the Effective Date but prior to the date of approval of a Development and Production Plan with respect to the relevant Field and not covered under Articles 2.2, 2.3 and 2.4 below; and
- (f) the costs incurred prior to the Effective Date which both Parties have agreed to, including the cost of the Sea Bed Logging, 2D, 3D speculative data and other costs of complying with Article 3.1.1 of the Contract.

2.2 DEVELOPMENT AND PRODUCTION COSTS

Development and Production Costs are all approved direct, general and administrative costs incurred during Development and Production activities, including, but not limited to, the following:

- (a) Wells defined as Development Wells for purposes of producing from a Commercial Field, whether such Wells turn out to be dry or productive by nature, and drilling Wells for the injection of water or gas to enhance Hydrocarbon recovery;
- (b) completing 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 Development Well or a Well for the injection of water or gas to enhance Hydrocarbon recovery;
- (c) transportation and installation of tank storage facilities, pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment,

enhanced recovery systems, offshore platforms, export terminals and piers, harbors and related facilities, and access roads for development activities; and

(d) engineering and design studies for facilities referred to under paragraph (c) above.

2.3 OPERATING OR PRODUCTION COSTS

Any and all general, administrative and service costs, and any other Petroleum Operations Costs incurred from the approval date of any relevant Development and Production Plan, and from the commencement of funding of the Reserve Fund.

2.4 COMMERCIALIZATION COSTS

Any and all costs incurred for exporting Hydrocarbons to the Delivery Point.

2.5 ALLOCATION OF GENERAL AND ADMINISTRATIVE COSTS

With the exception of general and administration costs incurred in Equatorial Guinea directly assignable to the Annual Budget, the general and administration expenditures incurred by the Contractor outside of national territory with respect to Petroleum Operations shall be determined in accordance with the sliding scale set out below, based on total Petroleum Operations Costs actually incurred during the Year and duly justified by the Contractor and approved by the Ministry:

(a) Prior to First Oil (commercial Production):

Up to \$5,000,000 Dollars	4%
Next \$10,000,000 Dollars	3%
Next \$15,000,000 Dollars	1.5%
Balance	0.5%

(b) After First Oil (first commercial Production):

Up to \$5,000,000 Dollars	5%
Next \$10,000,000 Dollars	2%
Next \$15,000,001) Dollars	1.5%
Balance	1%

2.6 Except as provided otherwise in the Contract to the contrary, approved Petroleum Operation Costs described in Articles 2.1 to 2.5 of this Accounting Procedure, will be recoverable by the Contractor in accordance with Article 7.2 of the Contract.

2.7 INTEREST RECOVERY

Subject to and in accordance with the Hydrocarbons Law, any interest on loans obtained by the Contractor from Affiliated Companies or from Persons other than,

Affiliated Companies for investments in Petroleum Operations shall be recoverable and at a rate of interest not greater than LIBOR plus 3.5% as a Petroleum Operations Cost and shall be deductible for tax purposes, when estimating any Income Tax liabilities of the Contractor provided that the rate of interest and the terms of repayment have been approved by the Ministry in advance.

2.8 NON RECOVERABLE COSTS

Costs that are not recoverable as Petroleum Operations Costs shall include the following:

- (a) signature bonus paid by the Contractor;
- (b) any Discovery bonus paid by the Contractor;
- (c) any Production bonus paid by the Contractor;
- (d) annual surface rentals paid to the State;
- (e) interests on loans as provided by Article 2.7 of this Accounting Procedure;
- (f) any unapproved over-expenditures that exceed the limits of Article 4.4 of this Contract;
- (g) any payments made to the State for failure to fulfill the minimum Exploration work obligations pursuant to Article 3 of the Contract;
- (h) any fines and sanctions incurred for infringing the laws and regulations of Equatorial Guinea;
- (i) any donation to the State or other similar expenses unless otherwise agreed;
- (j) the State's audit and inspection expenses incurred as a result of the absence of original documents in the Contractor's offices in Equatorial Guinea;
- (k) any sanction imposed on the Contractor under the Hydrocarbons Law or otherwise; and
- (l) costs related to the assignment from the Contractor to any of its Affiliates or other Persons.

2.9 INSURANCE AND CLAIMS

Petroleum Operations Costs shall include premiums paid for insurance required [and approved] in accordance with the Contract. All expenses incurred and paid by the Contractor in respect of any insurance claim, less any costs recovered by the Contractor by means of insurance claims, shall be included and recoverable as Petroleum Operations Costs, provided these expenses are not incurred as a consequence of their being not recoverable under a policy of insurance of the Contractor, in which case they shall not be recoverable, provided the Contractor has duly applied the corresponding withholding tax in accordance with the Tax Law.

2.10 INVENTORY ACCOUNTING

Any costs of articles bought for inventory will be recoverable as from the Calendar Year in which such materials and equipment have been used in the Petroleum Operations in the Contract Area.

**ARTICLE 3
OTHER CLASSIFICATION OF COSTS AND EXPENDITURES**

(Accounting Methods For Estimating Any Income Tax Liability)

During any Calendar Year in which commercial Production occurs, the Petroleum Operations Costs shall include the following:

3.1 CAPITAL COSTS

Any current Calendar Year capital costs shall be classified as Tangible (subject to depreciation) and Intangible.

3.1.1 TANGIBLE CAPITAL COSTS

Tangible Capital Costs are such costs that are not intangible capital costs incurred for the purchase of any assets related to the Petroleum Operations that normally have a useful life of more than one (1) Year; such assets shall be subject to annual depreciation pursuant to the provisions set forth in this Accounting Procedure. Tangible Capital Costs include the following:

- (a) for Development Wells: the costs of completion materials and equipment (downhole equipment, fixed production tubing, production packers, valves, wellhead equipment, subsoil elevation equipment, pumping rods, surface pumps, discharge cables, collection equipment, delivery lines, fixed Christmas tree and valves, oil and gas pipelines, fixed materials and equipment, piers, anchors, buoys, Hydrocarbon treatment facilities and equipment, secondary recovery systems, reinjection compressors, water pumps and their pipes);
- (b) for any purchase of goods and equipment: the actual cost of the asset (excluding transportation), the cost for construction of platforms outside of the Contract Area, the cost of power generators and facilities onshore;
- (c) for the purchase of moveable goods: automotive machinery (vehicles, tractors, tow trucks, tools, flatbeds, etc.), construction machinery and equipment (furniture, office equipment and other equipment);
- (d) for construction purposes: the building cost of housing and residential facilities, offices, warehouses, workshops, power plants, storage facilities and access roads for development activities, the cost of piers and anchors, treatment plants and machinery, secondary recovery systems, gas plants and steam systems; and
- (e) drilling and Production facilities and platforms.

With the exception of land purchased by the Contractor, all and any goods mentioned herein shall be depreciated in accordance with Article 3.2 of this Accounting Procedure.

3.1.2 INTANGIBLE CAPITAL COSTS

Intangible capital costs shall be such ongoing costs incurred for the purchase of moveable goods and services directly related to the Petroleum Operations and they shall not be depreciated, but shall be tax deductible as incurred. Such costs/expenses shall include the following:

- (a) costs of aerial magnetic, aerial gravimetric, topographic, geological, geophysical and geochemical surveys, interpreting and reinterpreting technical data costs, Exploration labor and similar costs;
- (b) costs of drilling Exploration Wells and Appraisal Wells: all costs of services rendered for drilling Exploration and Appraisal Wells, chemical products, rental costs (for helicopters, flatbeds, ships, tow barges, etc.) transportation, storage facilities, accommodation, technical services for mud control, Well geology, directional Well drilling, divers, mud control, well geology testing, cementing and similar costs;
- (c) costs of drilling Development Wells, such as rig and platform mobilization and demobilization, rig and platform drilling contracts and leases, platform and infrastructure installations labor, fuel, water, conductors, drill bits, drill pipe, equipment rental, production testing equipment, Christmas tree for production testing, mud and its components, chemical products, rental costs (for helicopters, flatbeds, ships, tow barges, etc.), transportation, storage facilities, accommodation, technical services for mud control, Well placement geology, directional drilling Wells, divers, production and appraisal tests, completion and supervision;
- (d) costs of acquisition or purchase of goods and services such as transportation costs, operation costs, equipment checks, costs of on-site installation, maintenance costs and fuel costs;
- (e) general services (electric logs, vertical seismic profile (VSP), mud control, core sampling, Well geology tests, cementing, production tests, supervision and similar costs), delineation services, any heavy engineering machinery leasing, and other expenses incurred abroad;
- (f) materials, reconstruction of access and other roads, and other intangible goods for construction, public services and construction support; and
- (g) other Exploration Costs, support or temporary facilities with a useful life of less than one (1) Year.

3.2 DEPRECIATION OF TANGIBLE CAPITAL COSTS

Depreciation will be estimated from the Calendar Year in which the asset is placed into service, with a full Year's depreciation allowed for the initial Calendar Year. For the purpose of estimating responsibility regarding Income Tax, depreciation shall be determined using a five (5) Year straight-line method.

3.3 NON-CAPITAL COSTS

Non-capital costs shall be classified as follows:

3.3.1 CONTRACTOR'S DEDUCTIBLE COSTS

For Income Tax purposes, the Contractor's deductible costs shall include the following:

- (a) general and administrative expenses (personnel salaries, insurance premiums, labor, technical office services and other similar services, material services, public relations, expenses abroad related with Petroleum Operations in Equatorial Guinea, determined in accordance with Article 2.5 of this Accounting Procedure);
- (b) Intangible Capital Costs;
- (c) labor, materials and services indirectly used in operations of Wells, feasibility studies for production of Crude Oil or Natural Gas fields, secondary recovery operations, storage operations, handling, transportation and delivery, Natural Gas Well operations, transportation and delivery of Natural Gas, services for Natural Gas treatment, environmental protection measures and any other maintenance activities indirectly related to Petroleum Operations.
- (d) Contributions to the Reserve Fund.

3.3.2 CONTRACTOR'S NON-DEDUCTIBLE COSTS

For Income Tax purposes, the following costs of the Contractor shall be nondeductible:

- (a) signature bonus paid by the Contractor;
- (b) any Discovery bonus paid by the Contractor;
- (c) any Production bonus paid by the Contractor;
- (d) annual surface rentals paid to the State;
- (e) any unapproved over-expenditures that exceed the limits of Article 4.4 of the Contract;
- (f) interest on loans as provided in Article 2.7 of this Accounting Procedure;
- (g) any payment made to the State for failure to fulfill the minimum Exploration work obligations pursuant to Article 3 of the Contract;
- (h) any fines and sanctions incurred for infringing the laws and regulations of Equatorial Guinea;
- (i) sums that exceed the set limits with regard to the depreciation of tangible assets;
- (j) any donation to the State and other similar expenses unless otherwise agreed;
- (k) the State's audit and inspection expenses incurred by the absence of original documents in the office of the Contractor in Equatorial Guinea;

- (l) any sanction imposed on the Contractor under the Hydrocarbons Law or otherwise; and
- (m) costs relating to the assignment from the Contractor to any of its Affiliates or other Persons.

ARTICLE 4
BASES OF INCOME TAX CALCULATION

4.1 PRACTICAL DETERMINATION OF THE TAXABLE BASE

In order to determine the taxable base and for the purposes of calculating the Contractor's responsibility regarding annual Income Tax liability, the following will be taken into account:

Taxable base = [(1)] - {[(2)+(3)+(4)]+[(5)+(6)+(7)+(8)]}.

- (1) Annual gross revenues
- (2) Royalties
- (3) State's share of net Hydrocarbons
- (4) State's right to a share of Production based on its carried or paid interest in the Contract
- (5) Deductible intangible capital costs
- (6) Depreciation of tangible capital costs
- (7) Deductible non-capital costs
- (8) Losses authorized and certified by the Ministry, corresponding to previous Calendar Years

4.2 PRINCIPLE OF TAX TREATMENT OF A FINANCIAL YEAR DEFICIT

In case of any deficit during a Calendar Year, such deficit will be regarded as relating to the following Calendar Year and deducted from the profit made during said Calendar Year; if such profit is not sufficient for the deduction to be made in full, the excess (certified by the Ministry) of the deficit will be successively carried over to the profits of the following Calendar Year in accordance with the Tax Laws.

**ARTICLE 5
RECORDS AND VALUATION OF ASSETS**

5.1 RECORDS

The Contractor shall keep correct, accurate and detailed records of all property used for Petroleum Operations under the Contract in accordance with generally accepted practice of the international petroleum industry.

5.2 INVENTORIES DURING INITIAL EXPLORATION OPERATIONS

Prior to the date of approval of the first Annual Work Program and Annual Budget submitted pursuant to Article 4 of the Contract, the Contractor shall prepare an initial annual schedule (to be included as part of the material statement required under Article 6 of this Accounting Procedure) of all property to be used for Petroleum Operations and its value as shown in the Contractor's books.

5.3 INVENTORIES IN SUBSEQUENT OPERATIONS

Subsequent to the date of approval of the Annual Work Program and Annual Budget pursuant to Article 4 of the Contract, inventories of property used in Petroleum Operations under the Contract shall be taken at regular intervals but at least once per Calendar Year.

The Contractor shall give the Ministry at least thirty (30) days prior notice of its intention to take such inventory and the Ministry shall have the right to be represented when such inventory is taken. The Contractor shall clearly state the principles upon which valuation of the inventory has been based and shall provide to the Ministry a full report on such inventory within sixty (60) days of the completion of the inventory.

ARTICLE 6
STATEMENTS AND REPORTS

6.1 FINANCIAL STATEMENTS AND TAX REPORTS TO BE SUBMITTED BY CONTRACTOR

The Contractor shall present detailed accounts showing all Petroleum Operations Costs incurred by the Contractor over the last Calendar Year. Such accounts must be submitted to the Ministry within ninety (90) days from the end of such Calendar Year and shall be certified by an independent auditor accepted by the Parties. Such period may be extended by an additional thirty (30) days at the Contractor's request and with the approval of the Ministry; such consent shall not be unreasonably delayed or withheld.

Income Tax returns shall be duly completed with enough detailed information as to allow a thorough understanding by the Tax Administration of Equatorial Guinea, including:

- (a) depreciation details;
- (b) fixed assets information;
- (c) Production and export statistics and details;
- (d) all tax related reports provided for in the Contract; and
- (e) detailed information on deductible expenses for estimating tax liabilities in accordance with the Tax Law.

6.2 PRODUCTION STATEMENT

Without prejudice to the rights and obligations of the Parties under the Contract, as from the initial date of commencement of commercial Production from the Contract Area, the Contractor shall submit a monthly Production statement to the Ministry showing the following information, which shall be separated by each Commercial Field as well as in aggregate for the Contract Area:

- (a) the quantity of Crude Oil produced and saved;
- (b) the quality characteristics of such Crude Oil produced and saved;
- (c) the quantity of Natural Gas produced and saved;
- (d) the quality characteristics of such Natural Gas produced and saved;
- (e) the quantities of Crude Oil and Natural Gas used for the purposes of carrying out drilling and Production operations;
- (f) the quantities of Crude Oil and Natural Gas unavoidably lost;
- (g) the quantities of Natural Gas flared and vented;

- (h) the size of Hydrocarbon stocks held at the beginning of the calendar month in question;
- (i) the size of any Hydrocarbon stocks held at the end of the calendar month in question;
- (j) the quantities of Natural Gas re-injected into the Hydrocarbon reservoir; and
- (k) the quantities of Hydrocarbons delivered and sold.

All quantities shown in such statement shall be expressed in both volumetric terms (barrels of Crude Oil [bbls] and cubic meters of Natural Gas [M³]) and in weight (metric tons [MT] and long tons [LT]).

The Production statement for each calendar month, and the technical report on each Well shall be submitted to the Ministry no later than a period of fifteen (15) days after the end of such calendar month.

6.3 VALUE OF PRODUCTION AND PRICING STATEMENT

For the purposes of Article 10 of the Contract, the Contractor shall prepare a Quarterly statement providing details of the value of Hydrocarbons produced, saved and sold during each Quarter.

The value of Production statement shall include the following information:

- (a) the quantities, prices and income received by the Contractor as a result of sales of Hydrocarbons to third parties during the Quarter in question;
- (b) the quantities, prices and income received by the Contractor as a result of sales of Hydrocarbons, other than sales to third parties, during the Quarter in question;
- (c) the value of any stocks of Hydrocarbons at the end of the Quarter preceding the Quarter in question;
- (d) the value of any stocks of Hydrocarbons at the end of the Quarter in question; and
- (e) the information available to the Contractor concerning the prices of competitive Crude Oils, insofar as required for the purposes of Article 10 of the Contract.

6.4 PETROLEUM OPERATIONS COSTS STATEMENT

6.4.1 QUARTERLY STATEMENT

The Contractor shall prepare a Quarterly Petroleum Operations Costs statement showing those Petroleum Operations Costs incurred by the Contractor with respect to the Contract Area, as provided under this Accounting Procedure.

Any Development and Production Costs shall be separately identified for each Commercial Field, if such is the case, and the Contractor shall specify the basis of

allocation of shared costs. If the Ministry is not satisfied with the itemization shown within the categories, the Contractor shall provide a more detailed breakdown.

Any Exploration Costs shall be shown separately.

The Petroleum Operations Costs statement for each Quarter shall be submitted to the Ministry no later than a period of thirty (30) days after the end of each Quarter.

6.4.2 Annual Statement

The Contractor shall prepare an annual Petroleum Operations Costs Statement containing the following information for the purposes of Articles 9 and 16 of the Contract:

- (a) Petroleum Operations Costs not yet recovered and carried forward from the previous Calendar Year, if any;
- (b) Petroleum Operations Costs for the Calendar Year in question;
- (c) the quantity and value of Hydrocarbon Production taken by the Contractor as Cost Recovery Oil under the provisions of Article 7.2 of the Contract for the Calendar Year in question; and
- (d) Petroleum Operations Costs not yet recovered at the end of the Calendar Year in question.

The annual Petroleum Operations Costs Statement shall be submitted to the Ministry no later than a period of forty--five (45) days following the end of each Calendar Year.

6.5 PRODUCTION SHARING STATEMENT

Within sixty (60) days following the end of each Calendar Year, the Contractor shall submit to the Ministry with respect to such Calendar Year a Production sharing statement containing the following information for the purposes of Article 7 of the Contract:

- (a) the value of all sales of Hydrocarbons made by the Contractor as from the Effective Date of the Contract up to the end of the previous Calendar Year;
- (b) the value of all sales of Hydrocarbons made by the Contractor during the Calendar Year in question;
- (c) the total of (a) and (b) above at the end of the Calendar Year in question;
- (d) the accumulated Petroleum Operations Costs as from the Effective Date of the Contract up to the end of the previous Calendar Year;
- (e) the Petroleum Operations Costs for the Calendar Year in question;
- (f) the total of (d) and (e) above at the end of the Calendar Year in question;
- (g) quantity and value of the Contractor's share in Hydrocarbons; and

(h) quantity of State's share of Hydrocarbons and its value if sold by the Contractor.

6.6 ANNUAL END-OF-YEAR STATEMENT

No later than 31 March of each Calendar Year, the Contractor shall submit to the Ministry an end-of-year statement, and statement of accounts corresponding to the previous fiscal Year, and which shall contain the following information:

- (a) accounting conciliation of the expenses against the approved Annual Budget;
- (b) accounting conciliation of the expenses with the recoverable costs; and
- (c) accounting conciliation of the expenses with the deductible costs.

6.7 ANNUAL BUDGET STATEMENT

The Contractor shall submit to the Ministry an Annual Budget Statement pursuant to the provisions of Article 4 of the Contract. Such statement shall distinguish between budgeted Exploration Costs and Development and Production Costs by Quarter and shall correspond to the individual items of Petroleum Operations included in the Annual Work Program.

**ANNEX D
PARENT COMPANY GUARANTEE**

This Annex is an integral part of this Contract between the Republic of Equatorial Guinea and the Contractor.

THIS GUARANTEE is made on this *[insert day]* of *[insert month and year]*

BETWEEN:

- (1) **[THE GUARANTOR]**, a company organized and existing under the laws of *[insert jurisdiction]*, and having its registered office at *[insert address]* (the **Guarantor**); and
- (2) **THE REPUBLIC OF EQUATORIAL GUINEA** (the **State**), represented for the purposes of this Guarantee by the Ministry of Mines and Hydrocarbons (the **Ministry**).

WHEREAS, the Guarantor is the parent entity of *[insert name of Company]* organized and existing under the laws of *[insert jurisdiction]*, and having its registered office at *[insert address]* (the **Company**);

WHEREAS, the Company has entered into a production sharing contract (the **Contract**) with, among others, the State in respect of the Contract Area;

WHEREAS, the Company has a Participation Interest under the Contract;

WHEREAS, the State desires that the execution and performance of the Contract by the Company be guaranteed by the Guarantor and the Guarantor desires to furnish this Guarantee as an inducement to the State to enter into the Contract and in consideration of the rights and benefits inuring to the Company thereunder; and

WHEREAS, the Guarantor accepts that it fully understands and assumes the contractual obligations under the Contract of the Company.

NOW THEREFORE, it is hereby agreed as follows:

1. Definitions and Interpretation

All capitalized words and expressions in this Guarantee have the same meaning as in the Contract, unless otherwise specified to herein. Article 30 of the Contract is incorporated herein, *mutatis mutandis*, by this reference.

2. Scope of this Guarantee

The Guarantor hereby guarantees to the State the timely payment and performance of any and all indebtedness and obligations whatsoever of the Company to the State arising under or in relation to the Contract, including the payment of any amounts required to be paid by the Company to the State when the same become due and payable; provided, however, that the liability of the Guarantor to the State hereunder shall not exceed the lesser of:

- (a) the liabilities of *the* Company to the State;

- (b) *[insert amount]* Dollars (*[\$[insert amount]*) during the Exploration Period, as may be extended in accordance with the Contract; and
- (c) *[insert amount]* Dollars (*[\$[insert amount]*) during the Development and Production period.

3. Waiver of Notice, Agreement to All Modifications

The Guarantor hereby waives notice of the acceptance of this Guarantee and of the state of indebtedness of the Company at any time, and expressly agrees to any extensions, renewals, modifications or acceleration of sums due to the State under the Contract or any of the terms of the Contract, all without relieving the Guarantor of any liability under this Guarantee.

4. Absolute and Unconditional Guarantee

The obligations of the Guarantor shall be an absolute, unconditional and (except as provided in Article 2 above) unlimited guarantee of payment and performance to be performed strictly in accordance with the terms hereof, and without respect to such defences as might be available to the Company.

5. No Discharge of Guarantor

The obligations of the Guarantor hereunder shall not in any way be released or otherwise affected by: a release or surrender by the Company of any collateral or other security it may hold or hereafter acquire for payment of any obligation hereby guaranteed; by any change, exchange or alteration of such collateral or other security; by the taking of or the failure to take any action with respect thereto either against the Company or against the Guarantor; or by any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

6. No Prior Action Required

The State shall not be required to make demand for payment or performance first against the Company or any other Person or to proceed against any collateral or other security which might be held by the State or otherwise to take any action before resorting to the Guarantor hereunder.

7. Cumulative Rights

All rights, powers and remedies of the State hereunder shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to the State by law or otherwise.

8. Continuing Guarantee

This Guarantee is intended to be and shall be considered as a continuing guarantee of payment and performance and shall remain in full force and effect for so long as the Contract and any amendments thereto shall remain outstanding or there shall exist any liability of the Company to the State thereunder.

9. Notice of Demand

Upon default in the performance of any of the obligations of the Company guaranteed hereunder, the State or its duly authorized attorney may give written notice to the

Guarantor at its principle office in *[insert jurisdiction]* of the amount due, and the Guarantor, within a period of ten (10) Business Days, will make, or cause to be made, payment of such amount as notified, in Dollars, at such bank or other place in *[insert jurisdiction]* as the State shall designate and without set-off or reduction whatsoever of such payment in respect of any claim the Parent Company or the Company may then have or thereafter might have.

10. Assignment

The Guarantor shall not in any way effect, or cause or permit to be effected, the assignment or transfer of any of its obligations hereunder without the express written consent of the State.

11. Subrogation

Until all indebtedness hereby guaranteed has been paid in full, the Guarantor shall have no right of subrogation to any security, collateral or other rights which may be held by the State.

12. Payment of Expenses

The Guarantor shall pay to the State all reasonable costs and expenses, including attorney's fees, incurred by it in collecting or compromising any indebtedness of the Company hereby guaranteed or in enforcing the Contract or this Guarantee.

13. Governing Law and Arbitration

This Guarantee shall be governed by and interpreted in accordance with the laws of Equatorial Guinea.

All disputes or claims arising out of or relating to this Guarantee shall be finally settled by arbitration, in accordance with the procedure set forth in the Contract; however, if in addition to the arbitration hereunder an arbitration has also been commenced under the Contract with respect to obligations hereby guaranteed, the arbitration commenced hereunder shall be consolidated with the arbitration commenced under the Contract and the arbitral body appointed hereunder shall be the same arbitral body appointed pursuant to the Contract. The arbitration shall be conducted in the Spanish and English languages and the decision shall be final and binding on the parties.

14. Severability of Provisions

In the event that for any reason any provision hereof may prove illegal, unenforceable or invalid, the validity or enforceability of the remaining provisions hereof shall not be affected.

15. Confidentiality

The Guarantor agrees to treat this Guarantee and the Contract as confidential and shall not disclose, willingly or unwillingly, to any third party, except to the extent required by law, the terms and conditions hereof or thereof without the prior written consent of the State.

IN WITNESS WHEREOF, the Guarantor and the Company execute this Guarantee this *[insert day]* day of *[insert month and year]*.

[GUARANTOR]

By: _____

Title: _____

THE REPUBLIC OF EQUATORIAL GUINEA

THE MINISTRY OF MINES AND HYDROCARBONS

By: _____

Title: _____

PRODUCTION SHARING CONTRACT
BETWEEN
THE REPUBLIC OF EQUATORIAL GUINEA
AND
GUINEA ECUATORIAL DE PETROLEOS
AND
KOSMOS ENERGY EQUATORIAL GUINEA

FOR
BLOCK “W”

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THIS PRODUCTION SHARING CONTRACT is dated this ____ day of _____ 2017

BETWEEN:

- (1) **THE REPUBLIC OF EQUATORIAL GUINEA** (hereinafter referred to as the **State**), represented for the purposes of this Contract by the Ministry of Mines and Hydrocarbons, represented for purposes of its execution by His Excellency Mr. Gabriel Mbagu OBIANG LIMA, the Minister;
- (2) **GUINEA ECUATORIAL DE PETRÓLEOS** (hereinafter referred to as the **National Company**), acting in its own name and legal right for the purposes of this Contract and represented for purposes of its execution by Mr. Antonio OBURU ONDO, in his capacity as Director General; and
- (3) **KOSMOS ENERGY EQUATORIAL GUINEA**, a company organized and existing under the laws of the Cayman Islands, under company registration number **WT-269135** and having its registered office at c/o Circumference (Cayman), P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KY1-1209, Cayman Islands (hereinafter referred to as **Company**), represented for the purposes of this Contract by [*insert name* Andrew Inglis], in his capacity as [*insert position* President].

RECITALS:

- (A) **WHEREAS**, all Hydrocarbons existing within the territory of the Republic of Equatorial Guinea, as set forth in the Hydrocarbons Law, are national resources owned exclusively by the State;
- (B) **WHEREAS**, the State wishes to promote the development of Hydrocarbon deposits within the Contract Area and the Contractor desires to associate itself with the State with a view to accelerating the Development and Production of Hydrocarbons within the Contract Area;
- (C) **WHEREAS**, the Contractor has the financial ability, technical competence and professional skills necessary to carry out Petroleum Operations in accordance with this Contract and good oil field practices; and
- (D) **WHEREAS**, the Parties desire to enter into this Contract in accordance with the Hydrocarbons Law, which allows for agreements to be entered into between the State and foreign investors in the form of a production sharing contract, through direct negotiation or by international public tender..

NOW THEREFORE, in consideration of the undertakings and mutual covenants contained herein, the Parties agree as follows:

Article 1
DEFINITIONS AND SCOPE

1.1 Definitions

Except where the context otherwise indicates or as defined in the Hydrocarbons Law or Petroleum Regulations, the following words and expressions shall have the following meanings:

- 1.1.1 **Accounting Procedure** means the accounting procedure set forth in Annex C.
- 1.1.2 **Affiliated Company** or **Affiliate** of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control of such specified Person or other Person.
- 1.1.3 **Annual Budget** means the expenditure of the Contractor with respect to an Annual Work Program.
- 1.1.4 **Annual Work Program** means an itemized statement of the Petroleum Operations to be carried out in the Contract Area during a Calendar Year.
- 1.1.5 **Appraisal Area** means an area within the Contract Area encompassing the geographical extent of a Discovery that is subject to an Appraisal work program and corresponding budget in accordance with Article 5.2.
- 1.1.6 **Appraisal Well** means a Well drilled following a Discovery, with the objective of delimiting and mapping the reservoir, and also to estimate the quantity of recoverable Hydrocarbons.
- 1.1.7 **Associated Natural Gas** means all Natural Gas produced from a reservoir the predominant content of which is Crude Oil and which is separated from Crude Oil in accordance with generally accepted international petroleum industry practice, including free gas cap, but excluding any liquid Hydrocarbons extracted from such gas either by normal field separation, dehydration or in a gas plant.
- 1.1.8 **Barrel** means a quantity or unit of Crude Oil equal to 158.9874 liters (forty-two (42) United States gallons) at a temperature of fifteen point five six degrees (15.56°) Centigrade (sixty degrees (60°) Fahrenheit) and at one (1) atmosphere of pressure.
- 1.1.9 **BEAC** means Banco de los Estados de África Central (Bank of the States of Central Africa).
- 1.1.10 **Book Value** means the value at which the asset is carried on the balance sheet prepared in accordance with generally accepted accounting practices used in the international petroleum industry.
- 1.1.11 **Business Day** means a day on which the banks are generally open for business in Equatorial Guinea and Dallas, Texas.

- 1.1.12 **Calendar Year** or **Year** means a period of twelve (12) months commencing on 1 January and ending on the following 31 December of the same year according to the Gregorian Calendar.
- 1.1.13 **Change in Law** means, with respect to Article 25, any change in the laws, decrees, regulations or standards of Equatorial Guinea, effective as of January 1, 2017, including with respect to any fiscal, taxes, Customs, or currency control, any change in the interpretation or application of, or in the customs and practices related to, such laws (the provisions of this Contract are deemed to conform to said interpretation and application from the date hereof) Decrees, regulations or rules of Equatorial Guinea and excludes all laws, decrees, regulations or standards which: (i) are related to health, safety, labor and the environment, (ii) are consistent with the international practices and standards of the oil and gas industry, and (iii) are applied on a non-discriminatory basis.
- 1.1.14 **CIF** has the meaning set out in the publication of the International Chamber of Commerce, INCOTERMS 2010.
- 1.1.15 **Commercial Discovery** means a Discovery that the Contractor has determined to be economically viable and so submits a Development and Production Plan for such Discovery for the approval of the Ministry.
- 1.1.16 **Cost Recovery Oil** has the meaning ascribed to it in Article 7.2.1.
- 1.1.17 **Contractor** means **Company** and the National Company.
- 1.1.18 **Contract** means this production sharing contract, including its Recitals and Annexes.
- 1.1.19 **Contract Year** means a period of twelve (12) consecutive months according to the Gregorian calendar, counted from the Effective Date of this Contract or from the anniversary of such Effective Date.
- 1.1.20 **Contract Area** or **Area** means the geographic area within the territory of Equatorial Guinea, which is the subject of this Contract. Such Contract Area shall be described in Annex A and illustrated in Annex B, as it may be changed by relinquishments of the Contractor in accordance with this Contract.
- 1.1.21 **Control**, when used with respect to any specified Person, means the power to direct, administer and dictate policies of such Person through the ownership of a percentage of such Person's equity sufficient to hold a majority of voting rights in an ordinary shareholders meeting. The terms **Controlling** and **Controlled** have meanings correlative to the foregoing.
- 1.1.22 **Crude Oil** means Hydrocarbons which are produced at the wellhead in a liquid state at atmospheric pressure including asphalt and ozokerites, and the liquid Hydrocarbons known as condensate and/or Natural Gas liquids obtained from Natural Gas by condensation or extraction through field separation units.
- 1.1.23 **Dated Brent** means a quote published daily in the Crude Oil Market Plans Bulletin that reflects the price of a North Sea Brent crude oil blend charge over a given period.

- 1.1.24 **Development and Production Plan** has the meaning ascribed to it in Article 5.5.1.
- 1.1.25 **Delivery Point** means that point located within the jurisdiction of Equatorial Guinea at which Hydrocarbons reach (i) the inlet flange at the FOB export vessel, (ii) the loading facility metering station of a pipeline or (iii) such other point within the jurisdiction of Equatorial Guinea as may be agreed by the Parties.
- 1.1.26 **Development and Production Area** means an area within the Contract Area encompassing the geographical extent of a Commercial Discovery subject to a Development and Production Plan in accordance with Article 5.5.
- 1.1.27 **Development and Production Costs** means all costs, expenses and liabilities incurred by the Contractor in connection with Development and Production Operations in a Development and Production Area, excluding all Exploration Costs incurred in the Development and Production Area prior to the establishment of any Field, as determined in accordance with this Contract and the Hydrocarbons Law.
- 1.1.28 **Development and Production Operations** means all operations, other than Exploration Operations, conducted to facilitate the Development and Production of Hydrocarbons from the Contract Area to the Delivery Point, but excluding the refining and distribution of Hydrocarbon products.
- 1.1.29 **Development Well** means a Well, other than an Exploration Well or an Appraisal Well, drilled with the purpose of producing or improving the Production of Hydrocarbons, including Exploration Wells and Appraisal Wells completed as production or injection Wells.
- 1.1.30 **Discovery** means the finding by the Contractor of Hydrocarbons whose existence within the Contract Area was not known prior to the Effective Date or Hydrocarbons within the Contract Area which had not been declared a Commercial Discovery prior to the Effective Date and which are measurable by generally accepted international petroleum industry practices.
- 1.1.31 **Dividend Withholding Tax** has the meaning ascribed to it in Article 17.1.1.
- 1.1.32 **Dollars** or **\$** means the legal tender of the United States of America.
- 1.1.33 **Effective Date** means the date of receipt by the Contractor of the ratification by the State of this Contract pursuant to Article 31.
- 1.1.34 **Equatorial Guinea** means the Republic of Equatorial Guinea.
- 1.1.35 **Exploration Operations** include geological and geophysical studies, aerial mapping, investigations relating to subsurface geology, stratigraphic test drilling, Exploration Wells, Appraisal Wells and related activities such as drill site preparation, surveying and all work connected therewith that is conducted in relation to the Exploration for and Appraisal of Hydrocarbon deposits in the Contract Area.

- 1.1.36 **Exploration Costs** means all costs, expenses and liabilities incurred by the Contractor in connection with Exploration Operations in the Contract Area, as determined in accordance with this Contract and the Hydrocarbons Law.
- 1.1.37 **Extension Period** means the First Extension Period and the Second Extension Period individually.
- 1.1.38 **Exploration Periods** means the Initial Exploration Period, an Extension Period and any further extensions thereof as set out in Article 2.2.1.
- 1.1.39 **Exploration Well** means any Well whose sole objective is to verify the existence of Hydrocarbons or to study all the necessary elements that might lead to a Discovery.
- 1.1.40 **Field** means a Discovery or an aggregation of Discoveries that is established as a Field in accordance with Article 5 and can be developed commercially after taking into account all pertinent operational, economic and financial data collected during the performance of the Appraisal work program or otherwise, in accordance with generally accepted international petroleum practices. A Field may consist of a Hydrocarbon reservoir or multiple Hydrocarbon reservoirs all grouped on or related to the same individual geological structural or stratigraphic conditions, or areas that are not related but will be developed by using a single Development and Production Plan. All deposits superimposed, adjacent to or underlying a Field in the Contract Area shall form part of the said Field.
- 1.1.41 **FOB** has the meaning set out in the publication of the International Chamber of Commerce, INCOTERMS 2010.
- 1.1.42 **First Extension Period** means the period of one (1) Contract Year commencing immediately after the conclusion of the Initial Exploration Period.
- 1.1.43 **First Exploration Sub-Period** means the first **three (3)** Contract Year(s) of the Initial Exploration Period.
- 1.1.44 **First Oil** means, in respect of each Development and Production Area, the date on which production of Hydrocarbons under a program of regular production, lifting and sale commences.
- 1.1.45 **Gross Revenues** means the total income from sales of Total Disposable Production plus the equivalent monetary value of any other disposal of Total Disposable Production from the Contract Area during any Calendar Year.
- 1.1.46 **Hydrocarbons** means all natural organic substances composed of carbon and hydrogen, including Crude Oil and Natural Gas that may be found and extracted from, or otherwise produced and saved from the Contract Area.
- 1.1.47 **Hydrocarbons Law** means Law No. 8/2006 dated 3 November 2006 of Equatorial Guinea, and any law that amends it or replaces it.
- 1.1.48 **Initial Exploration Period** means a period of **five (5)** Contract Years from the Effective Date, subdivided into two sub-periods of **three (3)** Contract Years for the First

Exploration Sub-Period and two (2) Contract Years for the Second Exploration Sub-Period.

- 1.1.49 **Joint Operating Agreement** or **JOA** means the joint operating agreement that regulates the internal relations of the Parties comprising the Contractor for the conduct of Petroleum Operations in the Contract Area.
- 1.1.50 **LIBOR** means the interest rate at which Dollar deposits of six (6) months duration are offered in the London Inter Bank Market, as published in the Financial Times of London. The applicable LIBOR rate for each month or part thereof within an applicable interest period shall be the interest rate published in the Financial Times of London on the last Business Day of the immediately preceding calendar month. If no such rate is quoted in the Financial Times of London during a period of five (5) consecutive Business Days, another rate (for example, the rate quoted in the Wall Street Journal) chosen by mutual agreement between the Ministry and the Contractor will apply.
- 1.1.51 **Market Price** means the FOB price for Crude Oil calculated in accordance with Article 10.
- 1.1.52 **Material Contract** means a contract with a value greater than five hundred thousand Dollars (\$500,000) with respect to Exploration Operations or to one million Dollars (\$1,000,000) in respect of Development Operations or Production Operations with (i) an Operator Affiliate, when the contract has not been previously and specifically approved in an Annual Budget as a contract to be carried out by an Affiliate or (ii) a non-Affiliate of the Operator. In the event that a law or regulation establishes a value higher than that stipulated in this definition for the supervision of contracts by the State, this definition will be amended to reflect the new higher limit.
- 1.1.53 **Maximum Efficient Production Rate** means the maximum efficient production rate of Hydrocarbons from a Field, that does not damage reservoir formations and does not cause excessive decline or loss of reservoir pressure in accordance with good oil field practice and as agreed in accordance with Article 6.4.
- 1.1.54 **Member State of CEMAC** means a country that is a member of the Central African Economic and Monetary Community.
- 1.1.55 **Member State of the OHADA** means a country that is a member of the Organization for the Harmonization of Commercial Law in Africa.
- 1.1.56 **Minimum Retention** means that the Operator and its Affiliates shall maintain a minimum deposit amount. This amount shall be measured annually and per Calendar Year, at one or more banks chosen by the Operator and operating in Equatorial Guinea. The amounts will be as follows:
- a) From the effective date until the approval of the first Development and Production Plan, a deposit amount equivalent to ten per cent (10 %) of the Annual Budget applicable to such Calendar Year;

- b) From the approval of the first Development and Production Plan, and until First Oil, a deposit amount equivalent to point five per cent (0.5 %) of the Annual Budget applicable to such Calendar Year; and
- c) From First Oil until the end of Operations, a deposit amount equivalent to a five per cent (5 %) of the Annual Budget applicable to such Calendar Year; provided that
- d) If, at any time, a later Development and Production Plan is approved and should this Plan require a development operation, the deposit amount required shall return to a point five per cent (0.5 %) of the Annual Budget applicable to such Calendar Year, until the year following the year during which the development operations foreseen in such Development and Production Plan cease to exist.

1.1.57 **Minimum Work Program** has the meaning ascribed to it in Article 3.1.

1.1.58 **Ministry** means the Ministry of Mines and Hydrocarbons of Equatorial Guinea, the entity responsible for supervising Petroleum Operations in coordination with other Government bodies within the respective areas of their competence, and any successor.

1.1.59 **National Company** for the purposes of this Contract, means Equatorial Guinea of Petroleum (GEPetrol), as a national oil company of Equatorial Guinea; or any successor state company.

1.1.60 **National Company's Participation Interest** means the Participation Interest of the National Company as set forth in Article 1.3.

1.1.61 **Natural Gas** means those Hydrocarbons that, at atmospheric conditions of temperature and pressure, are in a gaseous state including dry gas, wet gas and residual gas remaining after extraction, treatment, processing, or separation of liquid Hydrocarbons from wet gas, as well as gas or gases produced in association with liquid or gaseous Hydrocarbons.

1.1.62 **Net Crude Oil** has the meaning ascribed to it in Article 7.3.

1.1.63 **Net Natural Gas** has the meaning ascribed to in Article 13.3.5.

1.1.64 **Parties** or **Party** means the parties or a party to this Contract, as the context may require.

1.1.65 **Participation Interest** means for each Party comprising the Contractor, the undivided percentage share of such Party in the rights and obligations under this Contract, as is specified in Article 1.3.

1.1.66 **Person** means any individual, firm, company, corporation, society, trust, foundation, government, state or agency of the state or any association or partnership (whether or not having separate legal personality) or two or more of these.

1.1.67 **Petroleum Operations** means all operations related to Exploration, Development, Production, transportation, storage, conservation, decommissioning, sale and/or other disposal of Hydrocarbons from the Contract Area to the Delivery Point and any other

work or activities necessary or ancillary to such operations; these operations and activities shall be carried out in accordance with this Contract and the Hydrocarbons Law and shall not include transport outside of Equatorial Guinea.

- 1.1.68 **Petroleum Operations Costs** means Exploration Costs and/or Development and Production Costs (as the context may require) incurred by the Contractor in the carrying out of Petroleum Operations, as determined in accordance with this Contract and the Accounting Procedure.
- 1.1.69 **Petroleum Regulations** means all regulations promulgated by the Ministry pursuant to the Hydrocarbons Law.
- 1.1.70 **Platts** means Platts Crude Oil Marketwire, or if Platts Crude Oil Marketwire ceases to be published then another similar daily international publication that lists benchmark crude oil prices and which is agreed at the time between the Parties.
- 1.1.71 **Quarter** means a period of three (3) consecutive months beginning on 1 January, 1 April, 1 July or 1 October and ending on 31 March, 30 June, 30 September or 31 December, respectively.
- 1.1.72 **Reserve Fund** has the meaning ascribed to it in Article 24.3.1.
- 1.1.73 **Royalties** means an entitlement of the State over Hydrocarbons produced and saved from the Contract Area, and not utilized in Petroleum Operations, based on percentages calculated as a function of the daily rate of the Total Disposable Production as determined in accordance with Article 7.1.
- 1.1.74 **Second Extension Period** means the period of one (1) Contract Year commencing immediately after the end of the First Extension Period.
- 1.1.75 **Second Exploration Sub-Period** means the final **two (2)** Contract Year(s) of the Initial Exploration Period.
- 1.1.76 **Taxes** mean the coercive financial payments in accordance to the Tax Laws, that the State, local authorities and/ other public entities, demand in the exercise of their sovereign power. These taxes will be levied on each of the Parties comprising the Contractor and all other applicable Persons.
- 1.1.77 **Tax Laws** means Law No. 4/2004 dated 28 October 2004 of Equatorial Guinea, and Law No. 2/2007 dated 16 May 2007 of Equatorial Guinea, and any law that amends one or both of them or replaces one or both of them.
- 1.1.78 **Transfer Fee** has the meaning ascribed to in Article 17.2.1.
- 1.1.79 **Total Disposable Production** means all Hydrocarbons produced and saved from a Development and Production Area less the quantities used for Petroleum Operations.
- 1.1.80 **Unassociated Natural Gas** means all gaseous Hydrocarbons produced from Natural Gas reservoirs, and includes wet gas, dry gas and residual gas remaining after the extraction of liquid Hydrocarbons from wet gas.

1.1.81 **Well** means any opening in the ground or seabed made or being made by drilling or boring, or in any other manner, for the purpose of exploring and/or discovering, evaluating or producing Crude Oil or Natural Gas, or for the injection of any fluid or gas into an underground formation other than a seismic hole.

1.1.82 **Withholding Tax Waiver** has the meaning ascribed to it in Article 17.1.1.

1.2 Scope

1.2.1 This Contract is a production sharing contract awarded pursuant to Chapter IV of the Hydrocarbons Law. In accordance with the provisions of this Contract and the Hydrocarbons Law, the Ministry shall be responsible for supervising Petroleum Operations in the Contact Areas.

1.2.2 The State grants to the Contractor the sole and exclusive right and charge of conducting all Petroleum Operations in the Contract Area during the term of this Contract. In consideration of this, the Contractor shall:

- a) be responsible to the State as an independent contractor, for the execution of the Petroleum Operations in accordance with the provisions of this Contract and the Hydrocarbons Law;
- b) provide all funds, machinery, equipment, technology and personnel prudent and necessary to conduct Petroleum Operations; and
- c) diligently, with due regard to good oil field practice, perform at its exclusive responsibility and risk all investments and contractual obligations necessary for conducting Petroleum Operations in accordance with this Contract.

1.2.3 All Petroleum Operations Costs shall be recoverable and deductible for tax purposes in the manner set forth in this Contract and the Hydrocarbons Law.

1.2.4 During the term of this Contract, the total Production achieved as a consequence of Petroleum Operations shall be shared between the Parties in accordance with Article 7.

1.3 Participation Interests

On the Effective Date the Participation Interests of the Parties comprising the Contractor are as follows:

Kosmos Energy	80%
The National Company (GEPetrol)	20%
Total	100%

ARTICLE 2 EXPLORATION PERIOD AND RELINQUISHMENTS

2.1 Initial Exploration Period

As of and from the Effective Date, the Contractor is authorized to conduct Exploration Operations in the Contract Area during the Initial Exploration Period.

- 2.1.1 Upon the fulfillment by the Contractor of its Exploration obligations set forth in Article 3.1.1 with respect to the First Exploration Sub-Period, the Contractor may elect to enter the Second Exploration Sub-Period.
- 2.1.2 To elect to enter the Second Exploration Sub-Period, the Contractor shall file a request with the Ministry at least two (2) months prior to the expiry of the First Exploration Sub-Period, The Ministry shall not unreasonably withhold or delay the granting of such request; provided that the Contractor has complied with all of its obligations in the First Exploration Sub-Period and shall not be otherwise in breach of this Contract.

2.2 Extension Periods

- 2.2.1 Upon the fulfillment by the Contractor of its Exploration obligations set forth in Articles 3.1.1 and 3.1.2 with respect to the Initial Exploration Period, the Contractor may request up to two (2) extensions of one (1) year each of the Initial Exploration Period.
- 2.2.2 For each Extension Period, the Contractor shall file a request with the Ministry at least two (2) months prior to the expiry of the Initial Exploration Period, or as the case may be, the First Extension Period. The Ministry shall not unreasonably withhold or delay the granting of such Extension Period; provided that the Contractor has complied with all of its obligations in the Initial Exploration Period and the First Extension Period, as applicable, and shall not be otherwise in breach of this Contract.
- 2.2.3 Each request for an Extension Period shall be accompanied by a map specifying the Contract Area proposed to be retained by the Contractor, along with a report specifying any work performed in the proposed relinquished area since the Effective Date and the results obtained therefrom.
- 2.2.4 If upon expiry of the Initial Exploration Period, or of any Extension Period, any Appraisal work program with respect to a Discovery is still under progress or an Exploration Well is still under progress, the Contractor shall be entitled to an additional extension of the then current Exploration Period necessary to complete the work in progress. Furthermore, where Appraisal work has not yet been completed by the Contractor at the time at which a relinquishment contemplated by Article 2.4 is due, the requirement to relinquish shall be suspended until such time that the Contractor completes the said Appraisal work, commerciality is determined and, if applicable, the related establishment of a Field is approved or denied. Any additional extension granted under this Article 2.2.4 shall not exceed one (1) Contract Year, or such longer period as may be approved by the Ministry, plus the period of time established under Article 5 necessary for the evaluation of a marketing plan, the preparation of a Development and Production Plan and the Ministry's response.
- 2.2.5 In the event additional time is needed to complete said Appraisal work as set out in Article 2.2.4, the Contractor shall file a request for an extension with the Ministry at least two (2) months prior to the expiry of the current Initial Exploration Period or Extension Period, as applicable. In the event additional time is needed to complete an

Exploration Well still under progress, the current Initial Exploration Period or Extension Period, as applicable, upon notification to the Ministry, will be extended automatically for such time necessary to complete said Exploration Well and an additional thirty (30) days to allow for the time to deliver the notice of Discovery as required in Article 5.1.

2.3 Termination

Should the Contractor decide:

- (a) not to extend the Initial Exploration Period (or not to enter the Second Exploration Sub-Period) and no Field has been established during such period; or
- (b) to extend the Initial Exploration Period and no Field has been established during an Extension Period or any additional extension thereof, this Contract shall automatically terminate.

2.4 Mandatory Relinquishments

2.4.1 The Contractor must relinquish to the State thirty percent (30%) of the initial surface area of the Contract Area by the end of the Initial Exploration Period, twenty-five percent (25%) of the remaining area by the end of the First Extension Period, and the remainder of the Contract Area by the end of the Second Extension Period, or at the end of the Initial Exploration Period or the First Extension Period, if no further extension is requested by the Contractor. To determine the area or areas which the Contractor shall relinquish, the following areas shall be excluded for the purposes of such calculation:

- (a) areas designated as an Appraisal Area;
- (b) Development and Production Areas;
- (c) areas for which the approval of a Development and Production Plan is pending, until finally decided;
- (d) the area of any Field, including any Field which may be subject to unitization pursuant to Article 22; and
- (e) any area reserved for a possible Unassociated Natural Gas Appraisal in relation to which the Contractor is engaged in discussions with the Ministry in accordance with Article 13.1.

2.4.2 Upon expiry of the applicable final extension period indicated in Article 2.2, and subject to the provisions of Article 2.2.4, the Contractor shall relinquish the remainder of the Contract Area, with the exception of:

- (a) Development and Production Areas;
- (b) those areas for which an application for a Development and Production Area is pending, until finally decided;
- (c) the area of any Field, including any Field which may be subject to unitization pursuant to Article 22; and

- (d) any area reserved for a possible Unassociated Natural Gas Appraisal in relation to which the Contractor is engaged in discussions with the Ministry in accordance with Article 13.

2.5 Voluntary Relinquishments

- 2.5.1 Subject to the Contractor's obligations under Article 24 and the Hydrocarbons Law, the Contractor may at any time notify the Ministry upon three (3) months prior notice that it relinquishes all of its rights over all or any part of the Contract Area.
- 2.5.2 In no event shall any voluntary relinquishment by the Contractor of rights over all or any part of the Contract Area reduce the Exploration obligations of the Contractor set forth in Article 3.

2.6 Involuntary Relinquishments

- 2.6.1 Should the Contractor, during the First Exploration Sub-Period (as may be extended), (i) be unable to fulfill its Minimum Work Program pursuant to Article 3.1.1(a) or (ii) be unable fulfill its Minimum Work Program pursuant to Article 3.1.1(b), excluding for reasons of Force Majeure or acts or failure to act by the State, including failure to deliver the data package referenced in Article 3.1.1(b), then the Contractor will relinquish all its rights on the whole of the Contract Area at the end of the First Exploration Sub-Period (as may be extended).

2.7 Relinquishments Generally

- 2.7.1 No relinquishment made in accordance with Articles 2.4 or 2.5 shall relieve the Contractor from its obligation to pay surface rentals accrued or make payments due and payable as a result of Petroleum Operations conducted up to the date of relinquishment.
- 2.7.2 The Contractor shall, in accordance with good oil field practice, propose the geographic location of the portion of the Contract Area that it proposes to retain, and which shall have a continuous geometric shape going from North to South and East to West delimited as a minimum by one minute (1') of latitude or longitude or by natural boundaries and such area shall also be subject to the approval of the Ministry and shall be deemed approved after sixty (60) days.

ARTICLE 3 EXPLORATION WORK OBLIGATIONS

3.1 Minimum Work Program

During the Exploration Period, the Contractor undertakes to carry out the following Minimum Work Program:

- 3.1.1 During the First Exploration Sub-Period, the Contractor must:
 - (a) acquire, process, and interpret **2,250 square** kilometers of new 3D seismic data; and

acquire all existing data packages over the Area for **three million** Dollars (\$3,000,000). All costs of data acquisition shall be cost recoverable.

The minimum expenditure for this Sub-Period shall be **seven million** Dollars (**\$7,000,000**).

- 3.1.2 During the Second Exploration Sub-Period, the Contractor must drill a minimum of **one (1)** Exploration Well to a minimum depth of the deepest target interval in the approved well program. The minimum expenditure for this period shall be **thirty million** Dollars (**\$30,000,000**).
- 3.1.3 If the Contractor elects to enter the First Extension Period, the Contractor must perform technical work on geological and geophysical studies and surveys. The minimum expenditure for this period shall be seven hundred thousand Dollars (**\$700,000**).
- 3.1.4 If the Contractor elects to enter the Second Extension Period, the Contractor must drill a minimum of **one (1)** Exploration Well to a minimum depth of the deepest target interval in the approved well program. The minimum expenditure for this period shall be **thirty million** Dollars (**\$30,000,000**).
- 3.1.5 However, if the Contractor has performed work exceeding the Minimum Work Program required of it under any of Articles 3.1.1, 3.1.2 or 3.1.3, then the excess work, including Wells, is carried over to the next Sub-Period or Extension Period, and shall be deducted from the Minimum Work Program and the minimum expenditure for such next Sub-Period or Extension Period.
- 3.1.6 If the Contractor fulfills the Minimum Work Program (as set out in Articles 3.1.1, 3.1.2, 3.1.3, and 3.1.4) as applicable for each such Sub-Period and Extension Period, then the Contractor shall be deemed to have satisfied the minimum expenditure for each such Sub-Period and Extension Period, as applicable.

3.2 Minimum Depth of Wells

- 3.2.1 Each Exploration Well set forth above must be drilled to the minimum depth specified above in Article 3.1.2 or 3.1.4, as the case may be, or to a lesser depth if authorized by the Ministry in accordance with this Article or if discontinuing drilling is justified by one of the following reasons:
- (a) the economic basement is encountered at a depth less than the stipulated minimum contractual depth;
 - (b) continued drilling is clearly dangerous because of abnormal pressure in the formation;
 - (c) rock formations are encountered, the hardness of which makes it impracticable to continue drilling with appropriate equipment; or
 - (d) Hydrocarbon bearing formations are encountered that require the installation of protective casings which excludes the possibility of reaching the minimum contractual depth.

3.2.2 For the purposes of Article 3.2.1, **economic basement** means any stratum in and below which the geological structure or physical characteristics of the rock sequence do not have the properties necessary for the accumulation of Hydrocarbons in commercial quantities and which also reflects the maximum depth at which any accumulation of this type can be reasonably expected.

3.3 Cessation of Drilling

In respect of Article 3.2.1(b) and to the extent practicable where a prudent operator would immediately cease drilling operations, the Contractor shall inform the Ministry prior to the interruption or cessation of any drilling. The Ministry shall respond as soon as practicable and in any event within three (3) days counted from the date of receipt of such request.

3.4 Substitute Wells

If any obligatory Exploration Well is abandoned due to events or problems as set out in Article 3.2.1(a), (b), (c) and (d) and, at the time of such abandonment, the Exploration Costs for such Well have equaled or exceeded **thirty million Dollars (\$30,000,000)**, for all purposes of this Contract, the Contractor shall be deemed to have fulfilled the Minimum Work Program obligations for the relevant period. If any obligatory Exploration Well is abandoned due to insurmountable technical problems, and if at the time of such abandonment, the Exploration Costs for such Well are less than **thirty million Dollars (\$30,000,000)** then the Contractor shall have the option to either:

- (a) drill a substitute Exploration Well at the same or another location to be agreed with the Ministry; or
- (b) pay the Ministry an amount equal to the difference between **thirty million Dollars (\$30,000,000)** and the amount of Exploration Costs actually spent in connection with such Exploration Well; and
- (c) such substitute well or payment per Articles 3.4(a) or (b) shall be deemed to have fulfilled the Minimum Work Program obligations for the relevant Sub-Period or Extension Period.

3.5 Provision of Guarantee

On or prior to the Effective Date, each of the Parties comprising the Contractor (other than the National Company) shall provide to the State, at the sole discretion of the Ministry, either (i) a parent company guarantee in the form set forth in Annex D from a company acceptable to the Ministry in the amount of **two hundred million Dollars (\$200,000,000)**, or (ii) an irrevocable standby letter of credit from a first class international financial institution acceptable to the Ministry in the amount of the minimum expenditure obligations of the Contractor corresponding to the Minimum Work Program of the then current Sub-Period or Extension Period, as applicable, and which shall remain valid and effective for six (6) months after the end of the relevant Sub-Period, any Extension Period and any additional extension thereof, as applicable. If the Parties comprising the Contractor (other than the National Company) fail to deliver to the Ministry the required guarantee within fifteen (15) Business Days from the Effective

Date, this Contract shall be considered null and void without any further procedure or notice.

3.6 Participation Interest of the National Company

For the purposes of this Article 3 any expenditure of the Parties comprising the Contractor (other than the National Company) under Article 8.2 shall be treated as an expenditure for the purpose of satisfying the minimum expenditure obligations set out herein.

ARTICLE 4 ANNUAL WORK PROGRAMS AND BUDGETS

4.1 Submission of Annual Work Program

No later than ninety (90) days prior to the beginning of each Calendar Year, or for the first Calendar Year no later than sixty (60) days after the Effective Date, the Contractor shall prepare and submit for approval by the Ministry a detailed and itemized Annual Work Program divided into Quarters, along with the corresponding Annual Budget for the Contract Area setting forth the Petroleum Operations the Contractor proposes to carry out during such Calendar Year. The Annual Budget shall be presented in the official format of the Ministry.

4.2 Form and Approval of Annual Work Program

Each Annual Work Program and corresponding Annual Budget shall be broken down into the various Exploration Operations and, as applicable, the Appraisal operations for each Appraisal Area and the Development and Production Operations for each Development and Production Area. The Ministry may propose amendments or modifications to the Annual Work Program and corresponding Annual Budget, by giving notice to the Contractor and including reasons for such amendments or modifications, within sixty (60) days following receipt of such Annual Work Program and Annual Budget. In such event the Ministry and the Contractor shall meet as soon as possible to review the amendments or modifications proposed by the Ministry and establish by mutual agreement the Annual Work Program and corresponding Annual Budget. The parts of the Annual Work Program for which the Ministry does not require amendment or modification will be deemed approved and must be completed by the Contractor within the stated time period, provided they may be undertaken on an individual basis. With respect to the parts of the Annual Work Program for which the Ministry proposes any amendment or modification, the date of approval of the Annual Work Program and corresponding Annual Budget shall be the date on which the Ministry and the Contractor reach the aforementioned mutual agreement. In the event the Ministry and the Contractor do not reach an agreement regarding the amendments and modifications proposed by the Ministry before the end of the Calendar Year in which the Annual Work Plan and corresponding Annual Budget were submitted, the Contractor shall continue operating pursuant to the most recent Annual Work Plan and corresponding Annual Budget approved by the Ministry until a mutual agreement is reached of Petroleum Operations.

4.3 Conduct of Petroleum Operations

The Contractor shall diligently and properly perform the Petroleum Operations with diligence, efficiency and economy, in accordance with accepted international petroleum industry practices under the same or similar circumstances and the terms of this Contract and the Hydrocarbons Law.

4.4 Overexpenditures

4.4.1 It is acknowledged by the Ministry and the Contractor that the technical results acquired as work progresses or the occurrence of certain unforeseen changes in circumstances may justify modifications to an approved Annual Work Program and corresponding Annual Budget. In such circumstances, the Contractor shall promptly notify the Ministry of the proposed modifications. Such modifications are subject to review and approval by the Ministry within sixty (60) days after receipt of such notice. Failure of the Ministry to approve or reject such proposed modifications within such sixty (60) day period shall be deemed to be an approval of such proposed modifications. Notwithstanding the foregoing and in no event shall the Contractor incur any line item expenditure which exceeds an approved Annual Budget line item by more than ten percent (10%), provided that the cumulative total of all overexpenditures for a Calendar Year shall not exceed five percent (5%) of the total approved Annual Budget without the prior approval of the Ministry; otherwise such excess expenditures shall not be recoverable as a Petroleum Operations Cost or deductible for tax purposes.

4.4.2 At such time that the Contractor reasonably believes that the limits of an Annual Budget will be exceeded, the Contractor shall promptly notify the Ministry and shall provide the Ministry with full details of such overexpenditures, including reasons therefor.

4.4.3 The limitations set out in this Article 4.4 shall be without prejudice to the Contractor's right to make expenditures in the event of an emergency or accident requiring urgent action under Article 4.5.

4.4.4 Save as otherwise provided in Article 4.5, should the Contractor incur any expenditure whose program and budget has not been approved within an Annual Work Program and corresponding Annual Budget or any amendment thereto approved by the Ministry, then such expenditure shall not be recoverable by the Contractor as a Petroleum Operations Cost or be deductible for tax purposes.

4.5 Emergency or Accident

4.5.1 In the event of an emergency or accident requiring urgent action, the Contractor shall take all steps and measures as may be prudent and necessary in accordance with good oil field practice for the protection of its interests and those of the State and the property, life and health of other Persons, the environment and the safety of Petroleum Operations. The Contractor shall promptly inform the Ministry of such emergency or accident.

4.5.2 All of the related costs incurred by the Contractor in accordance with this Article 4.5 shall be recoverable as Petroleum Operations Costs in accordance with this Contract. Notwithstanding the foregoing, all costs incurred by the Contractor in the cleaning up of pollution or damage to the environment caused by the gross negligence or willful

misconduct of the Contractor, its subcontractors or any Person acting on its or their behalf shall not be recoverable as a Petroleum Operations Cost.

ARTICLE 5 APPRAISAL OF A DISCOVERY AND PRODUCTION PERIOD

5.1 Notification of Discovery

If the Contractor discovers Hydrocarbons in the Contract Area it shall notify the Ministry as soon as possible, but not later than thirty (30) days after the date of such Discovery. This notice shall include all relevant information in accordance with generally accepted practice of the international petroleum industry including particulars of any production testing program which the Contractor has carried out or proposes to carry out during drilling operations.

5.2 Appraisal Work Program

5.2.1 If the Contractor considers that the Discovery merits Appraisal it shall diligently submit to the Ministry a detailed Appraisal work program and corresponding budget no later than six (6) months following the date on which the Discovery was notified in accordance with Article 5.1. The Appraisal work program, corresponding budget and designated Appraisal Area are subject to the review and approval of the Ministry in accordance with the procedures set forth in Article 4.

5.2.2 The draft Appraisal work program shall specify the estimated size of the Hydrocarbon reserves of the said Discovery, the area proposed to be designated as the Appraisal Area and shall include all seismic, drilling, testing and Appraisal operations necessary to carry out an appropriate Appraisal of the Discovery. The Contractor shall diligently undertake the approved Appraisal work program, it being understood that the provisions of Article 4.4 shall apply to such program.

5.2.3 The duration of the Appraisal work program shall not exceed twenty-four (24) months for Crude Oil and in the case of Natural Gas the duration of the Appraisal work program shall be determined in accordance with the provisions of Article 13, unless as otherwise approved by the Ministry, such approval not to be unreasonably withheld or delayed.

5.3 Submission of Appraisal Report

5.3.1 Within six (6) months following completion of the Appraisal work program and in any event no later than thirty (30) days prior to the expiry of the Initial Exploration Period, or the First Extension Period or the Second Extension Period, including any additional extension in accordance with the provisions of Article 2.2, as may be the case, the Contractor shall submit to the Ministry a detailed report giving all the technical and economic information associated with the Discovery so appraised and which shall confirm, in the Contractor's opinion, whether such Discovery is a Commercial Discovery.

5.3.2 The above-referred report shall include geological and petrophysical characteristics of the Discovery, estimated geographical extent of the Discovery, results of the production

tests yielded by the formation and the preliminary economic study with respect to the exploitation of the Discovery.

5.4 Determination of Commerciality

For the purposes of Article 5.3, the Contractor shall determine whether it considers that a Discovery or aggregation of Discoveries can be developed commercially. The commercial viability of the Discovery or aggregation of Discoveries shall be determined after consideration of all pertinent operating, economic and financial data collected during the performance of the Appraisal work program and otherwise, including Crude Oil and Natural Gas recoverable reserves, sustainable Production levels and all other relevant economic factors, according to generally accepted international petroleum industry practice.

5.5 Submission and Approval of Development and Production Plan

5.5.1 If the Contractor deems the Discovery or aggregation of Discoveries to be a Field it shall submit for the approval of the Ministry a development and production plan (the **Development and Production Plan**) for such Discovery or aggregation of Discoveries within twelve (12) months following the remittance of the report referred to in Article 5.3.

5.5.2 The Ministry may propose amendments or modifications to the aforementioned Development and Production Plan, and also to the Development and Production Area subject to such Development and Production Plan, by notice to the Contractor within ninety (90) days following receipt of the relevant plan. Such notification shall set out the reasons for the amendments or modifications proposed by the Ministry. In such event the Ministry and the Contractor shall meet as soon as possible to review the proposed amendments or modifications of the Ministry and establish by mutual agreement the Development and Production Plan.

5.5.3 If (i) the Contractor and the Ministry do not reach a written agreement within one hundred eighty (180) days following the submission of amendments and modifications by the Ministry, or (ii) the Ministry notifies the Contractor that it does not approve the Development and Production Plan, within thirty (30) Business Days of the occurrence of either (i) or (ii) above, the Parties shall meet to assess the discrepancies in accordance with articles 49 and 50 of the Petroleum Regulations; if an agreement is not reached, the points of discrepancies shall be referred to and shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding upon the Parties, including the Ministry, and, if should it not be complied with pursuant to Equatorial Guinea legislation, either Parties may refer the matter to arbitration under Article 26 to reach a final and binding decision.

5.6 Modifications to Development and Production Plan

5.6.1 When the results obtained during Development and Production Operations require certain modifications to the Development and Production Plan, such plan may be modified using the same procedure provided for with respect to the initial approval thereof. Subject to Article 4.4, the Contractor may not incur any expenditure which exceeds the approved Development and Production Plan without the prior approval of

the Ministry; if prior approval is not obtained, such excess expenditures will not be recoverable by the Contractor as Petroleum Operations Costs or deductible for tax purposes.

5.6.2 During a period of Development and Production, the Contractor may propose to the Ministry revisions to the Development and Production Plan at any time that additional Development and Production Operations are under consideration. Such revisions shall be submitted for approval by the Ministry, using the same procedure provided for with respect to the initial approval thereof.

5.7 Number of Fields

If the Contractor discovers more than one (1) Field in the Contract Area which are not overlying, adjacent to or underlying an existing Field, each of them shall be the subject of a separate Development and Production Plan.

5.8 Extension of Field beyond Contract Area

5.8.1 If, during work performed after approval of a Development and Production Plan, it appears that the geographical extent of a Field is larger than the Development and Production Area designated pursuant to Article 5.5, the Ministry may grant the Contractor the additional area, on condition that it is included in the Contract Area in effect at that time, and provided that the Contractor provides supporting evidence of the existence of the additional area applied for.

5.8.2 In the event that a Field extends beyond the boundaries of the Contract Area as delimited at any particular time, the Ministry may require the Contractor to exploit such Field in association with the contractor of the adjacent area in accordance with Article 22, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

5.8.3 When the area proposed to be unitized is not subject to any production sharing contract, the Ministry may grant the Contractor the additional area, on condition that it is included in the Contract Area in effect at that time, it being understood that any award of an additional area must be in accordance with the Hydrocarbons Law.

5.9 Commencement and Performance of Development and Production Operations

5.9.1 The Contractor shall commence Development and Production Operations within six (6) months from the date of approval of the Development and Production Plan and shall pursue such operations diligently.

5.9.2 The Contractor undertakes to perform all Development and Production Operations in accordance with generally accepted practice of the international petroleum industry, this Contract and the Hydrocarbons Law.

5.10 Duration of Operations

5.10.1 The duration of the Development and Production period during which the Contractor is authorized to exploit a Field is twenty-five (25) Years from the date of approval of the Development and Production Plan related to such Field.

The Development and Production period defined above may be extended for an additional period of five (5) Years with prior approval of the Ministry, which approval shall not be unreasonably withheld or delayed, if the Contractor submits a request to this effect to the Ministry at least one (1) Year prior to its expiry and on the condition that the Contractor has fulfilled all of its obligations under this Contract and that it can demonstrate that commercial Production from the Field is still possible after the expiry of the initial Development and Production period.

5.11 Risk and Expense of Contractor

The Contractor undertakes to perform at its own expense and financial risk all the Petroleum Operations required to place a Field into Production in accordance with the Development and Production Plan so approved.

5.12 Mandatory Relinquishment

For the duration of the Initial Exploration Period, the Extension Periods and any additional extension thereof, the Ministry may, provided it gives at least six (6) months' notice, require the Contractor to promptly relinquish, without any compensation or indemnification, all of its rights over the area encompassing a Discovery, including all of its rights over Hydrocarbons which may be produced from such Discovery, if the Contractor:

- (a) has not submitted, in accordance with Article 5.2, an Appraisal work program and corresponding budget with respect to such Discovery within six (6) months following the date on which such Discovery has been notified to the Ministry; or
- (b) subject to Article 13.1 regarding Unassociated Natural Gas, does not establish the Discovery as a Field within one (1) Year after completion of Appraisal work with respect to such Discovery.

5.13 Future Operations

In the event of a relinquishment under Article 5.12, the Ministry may perform or cause to be performed any petroleum operations with respect to any Discovery so relinquished without any compensation or indemnification to the Contractor, provided, however, that it shall not interfere with the Petroleum Operations undertaken by the Contractor in the part of the Contract Area retained by the Contractor, if any. The Ministry shall be permitted to use (free of charge) all facilities and equipment in the relinquished Discovery area of the Contractor that are not used for continuing Petroleum Operations in accordance with Article 51 of the Petroleum Regulations, Ministerial Order Number 4/2013, dated June 20 2013, as may be amended. If requested by the Ministry all

continuing operations may be undertaken by the Contractor, if so agreed, for a fee and on terms to be agreed between the Ministry and the Contractor.

5.14 Available Facilities

In the event there are facilities and equipment in an area adjacent to or near the Contract Area which have excess capacity that could be utilized by Contractor, the Ministry may, considering the efficiency and economic management of existing resources, cause such facilities and equipment to be made available to Contractor for any Development and Production Operations, provided, however, that such Development and Production Operations shall not interfere with the ongoing operations in that area. The Ministry will then implement the process set out in Articles 50, 51, and 52 of the Hydrocarbons Law.

ARTICLE 6 CONDUCT OF PETROLEUM OPERATIONS

6.1 Obligations of Contractor

In accordance with generally accepted practice of the international petroleum industry and the Hydrocarbons Law, the Contractor shall provide all funds necessary for the conduct of Petroleum Operations in the Contract Area including the purchase or rental of all facilities, equipment, materials and other goods required for the performance of such Petroleum Operations. It shall also supply all technical and operational expertise, including the use of foreign and national personnel required for implementing Annual Work Programs. The Contractor shall be responsible for the preparation and implementation of all Annual Work Programs which shall be performed in accordance with this Contract, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

6.2 Joint Operating Agreement

Within forty-five (45) days following the Effective Date, the Contractor shall provide the Ministry with a draft of the Joint Operating Agreement which shall be based upon the current model form operating agreement from the Association of International Petroleum Negotiators (AIPN). The Joint Operating Agreement and all amendments thereto shall be subject to the prior approval of the Ministry. The identity of the Operator and any change thereto shall be subject to the prior approval of the Ministry in accordance with the Hydrocarbons Law. The National Company shall be appointed as the administrative operator under the Joint Operating Agreement.

6.3 Conduct of Petroleum Operations

The Contractor shall diligently conduct Petroleum Operations in accordance with this Contract, the Hydrocarbons Law and generally accepted practice of the international petroleum industry.

6.4 Maximum Efficient Production Rate

The Contractor and the Ministry shall agree on the Production programs before Production begins in any Field and establish at that time the Maximum Efficient

Production Rate for such Field, and will determine the dates on which such levels will be reexamined and potentially revised.

6.5 Working Conditions

The Contractor shall provide acceptable working conditions and access to medical attention and nursing care for all of its local and international personnel and those of its subcontractors while undertaking Petroleum Operations. The Contractor shall also provide living accommodation for personnel based on offshore installations and an additional accommodation allowance in the remuneration of personnel based onshore.

6.6 Discovery of other Minerals

The Contractor shall promptly notify the Ministry of the discovery of any minerals or other substances in the Contract Area. If any Persons are granted a permit or license within the Contract Area for the exploration and exploitation of any minerals or substances other than Hydrocarbons, the Ministry shall take all reasonable measures to ensure that the operations of such Persons will not obstruct the Contractor's Petroleum Operations. The Contractor shall use all reasonable efforts to avoid any obstruction with such permit holders or licensees' operations.

6.7 Award of Contracts

The Contractor shall award all the contracts, in accordance with the Local Content Regulation enacted by the Ministry in the Ministerial Decree N.º 1/2014, of 26th of September 2014, to the best qualified subcontractor or to other Person, including the Contractor's affiliated Companies, on the basis of the cost and the capacity to comply with the contract's provisions, as long as the Contractor abides by the Article 23.1.

6.7.1 In all the Material Contracts, the Contractor shall:

- (a) call a bid for the contract.
- (b) give preference to the national companies the Contractor thinks that are qualified;
- (c) before awarding a Material Contract, notify and inform the Ministry about the intention of the Contractor to present an offer for such contract;
- (d) include the national companies that have been included in a list provided by the Ministry and that the Contractor regard as competent, in the list of bids for such Material Contract;
- (e) include in the list of bids, any qualified Person the Ministry suggests to be included; finish the bid process within a reasonable period of time;
- (f) consider and analyze the submitted offers;
- (g) draft and send to the Ministry a competitive analysis of the offers submitted including the Contractor's recommendation in terms of the Person that will be awarded with the contract, the underlying reasons and the technical, commercial and contractual conditions to be agreed;

- (h) obtain the Ministry's approval, which will be regarded as awarded if there is no response to an approval application thirty (30) days after since the reception of the written application; and
- (i) Provide the Ministry with a final copy of the signed contract.

All the amendments or modifications that *per se* abide by the definition of the Material Contract shall require the prior approval of the Ministry, approval that will be regarded as awarded if there is if there is no response to an approval application thirty (30) days after since the reception of the written application.

6.7.2 Should the Contractor imports and/or use any service, material, equipment, consumables and other goods from a country other than Equatorial Guinea, aware of contravention of this Article or Article 23.1, or otherwise signs a contract aware of contravention of such Articles, their costs shall not be Petroleum Operational Costs and they shall not be recoverable costs by the Contractor.

6.8 Inspection of Petroleum Operations

6.8.1 All Petroleum Operations may be inspected and audited by the Ministry at such intervals as the Ministry deems necessary. The duly commissioned representatives of the Ministry shall have the right, among others, to monitor Petroleum Operations and inspect all equipment, facilities and materials relating to Petroleum Operations, provided that any such inspection shall not unduly delay or impede Petroleum Operations. The representatives of the Ministry inspecting and monitoring Petroleum Operations shall comply with the safety standards of the Contractor.

6.8.2 For the purposes of permitting the exercise of the above-mentioned rights, the Contractor shall provide reasonable assistance to the representatives of the Ministry, including transportation and accommodation, as set forth in Article 6.23.

6.8.3 All costs directly related to the technical inspection, verification and audit of Petroleum Operations or otherwise in connection with the exercise of the Ministry's rights under this Contract or the performance of the Contractor's obligations shall be borne by the Contractor and are recoverable as Petroleum Operations Costs in accordance with this Contract, including:

- (a) outbound and return travel expenses;
- (b) local transportation, as necessary, when there is no transportation available under Article 6.8.2;
- (c) accommodation, when such accommodation is necessary to perform the official duties and is not provided under Article 6.8.2; and
- (d) per diems, which shall be adjusted in accordance with such amounts assigned to the ranking of each agent of the Ministry as published in the general budget law of the State approved for such Calendar Year, applicable to all companies in the extraction sector of Hydrocarbons in Equatorial Guinea, as set out in Article 6.23 below.

All travel expenses in (a) and (b) and accommodations in (c) above shall be arranged by Contractor and Contractor shall pay directly to the service providers such costs. As a consequence of the payment of the per diems noted above in (d), Contractor shall not make any payments to or on behalf of any Government of Equatorial Guinea travelers in relation to meals or other incidental or miscellaneous costs incurred by such travelers during such travel, and all such costs shall be for the sole account of such travelers.

6.9 Provision of Information to Ministry

6.9.1 The Contractor shall keep the Ministry fully informed on the performance and status of Petroleum Operations at reasonable intervals and as required under this Contract and of any emergencies or accidents that may have occurred during such operations. Furthermore, the Contractor shall provide the Ministry with all documentation and information that is required to be provided under this Contract and the Hydrocarbons Law and as may otherwise be requested by the Ministry from time to time.

6.9.2 The Contractor shall keep the Ministry informed on a daily basis of the volumes of Hydrocarbons produced from the Contract Area.

6.10 Production of Energy for Own Use

The Contractor shall not produce any energy for its own use unless national production is insufficient or not reliable enough for the demands of the Contractor in its conduct of Petroleum Operations. This restriction does not preclude Contractor from having appropriate and customary back-up generators to provide energy in its conduct of Petroleum Operation. In such event, the energy produced may not be sold to any Person. However, the Contractor may utilize the amounts of Crude Oil and/or Natural Gas necessary for the production of power for use in its offshore facilities.

6.11 Standard of Equipment

The Contractor shall ensure that all equipment, plants, installations and materials used by it comply with the Hydrocarbons Law and generally accepted engineering standards, and that they are duly constructed and maintained in good condition.

6.12 Care of Contractor and the Environment

6.12.1 The Contractor shall take all prudent and necessary steps in accordance with

generally accepted practice of the international petroleum industry, the Hydrocarbons Law and this Contract to:

- (a) prevent pollution and protect the environment and living resources;
- (b) ensure that any Hydrocarbons discovered or produced in the Contract Area are handled in a manner that is safe for the environment;
- (c) avoid causing damage to overlying, adjacent and/or underlying formations trapping Hydrocarbon reserves;

- (d) prevent the ingress of water via Wells into strata containing Hydrocarbon reservoirs;
- (e) avoid causing damage to overlying, adjacent and/or underlying aquifers;
- (f) ensure that Petroleum Operations are carried out in accordance with this Contract, the Hydrocarbons Law and all other laws of Equatorial Guinea;
- (g) undertake the precautions necessary for the protection of maritime transportation and the fishing industry and to avoid contamination of the ocean and rivers;
- (h) drill and exploit each Field in such a manner that the interests of Equatorial Guinea are protected; and
- (i) ensure prompt, fair and full compensation for injury to Persons or property caused by the effects of Petroleum Operations.

6.12.2 If the Contractor's actions result in any pollution or damage to the environment, any Person, living resources, property or otherwise, the Contractor shall immediately take all prudent and necessary measures to remedy such damages and effects thereof and/or any additional measures as may be directed by the Ministry. If the pollution or damage is caused as a result of the negligence or willful misconduct of the Contractor, its subcontractors or any Persons acting on its or their behalf all costs in relation thereof shall not be recoverable as a Petroleum Operations Cost. If the Contractor does not act promptly so as to control or clean-up any pollution or make good any damage caused, the Ministry may, after giving the Contractor reasonable notice in the circumstances, carry out the actions which are prudent or necessary hereunder and under Article 4.5 and all reasonable costs and expenses of such actions shall be borne by the Contractor and shall not be recoverable as a Petroleum Operations Cost.

6.12.3 If the Ministry determines that any works or installations built by the Contractor or any activity undertaken by the Contractor threatens the safety of any Persons or property or causes pollution or harm to the environment, the Ministry shall promptly advise the Contractor of its determination, and may require the Contractor to take all appropriate mitigating measures, consistent with generally accepted practice of the international petroleum industry, to repair any damage caused by the Contractor's conduct or activities. Furthermore, if the Ministry deems it necessary, it may demand that the Contractor suspend totally or partially the affected Petroleum Operations until the Contractor has taken the appropriate mitigating measures or repaired any damage.

6.12.4 The Contractor shall undertake comprehensive environmental impact assessment studies prior to, during and after major drilling operations. The Contractor shall assume the costs of these studies and such costs shall be recoverable. This requirement is mandatory and the first study shall be presented to the Ministry before the start of the drilling of the first Well in the Contract Area. However, an environmental impact assessment must also be completed prior to undertaking any seismic work in any areas of particular environmental sensitivity specified by the State.

6.13 Re-injection and Flaring of Natural Gas

The Natural Gas that the Contractor does not develop in accordance with this Contract and the Hydrocarbons Law or use in its own operations within the Contract Area shall be re-injected into the structure of the subsoil, and all costs of such reinjection shall be recoverable as a Petroleum Operations Cost. Notwithstanding the foregoing, the Ministry may authorize the combustion of Natural Gas for short periods of time in accordance with the Hydrocarbons Law. The Contractor shall compensate the State for the value of the gas volumes flared without authorization. All such Natural Gas not used in Petroleum Operations by the Contractor or not developed in accordance with this Contract and the Hydrocarbons Law shall remain the sole property of the State.

6.14 Design and Identification of Wells

6.14.1 The Contractor shall conform to the practices generally accepted in the international petroleum industry in the design and drilling of Wells, including their casing and cementation.

6.14.2 Each Well shall be identified by a name or number agreed with the Ministry, which shall be indicated on all maps, plans and other similar records produced by or on behalf of the Contractor.

6.15 Vertical Projection Wells

No Well may be drilled to an objective which is outside the vertical projection of the boundaries of the Contract Area. Controlled direction Wells drilled within the Contract Area from adjacent terrain not covered by this Contract will be considered for all purposes of this Contract as Wells drilled from territory included in the Contract Area, and whose drilling may only be undertaken with the prior approval of the Ministry, and on such terms and conditions as the Ministry may establish. Nothing in this Article has the intention or should be interpreted as a grant of a right of lease, license, servitude or any other right that the Contractor must obtain from the Ministry or other Persons.

6.16 Notification of Commencement of Drilling

The Contractor shall notify the Ministry at least ten (10) Business Days in advance of the commencement of any drilling of any Well set out in an approved Annual Work Program and corresponding Annual Budget or before the resumption of works on any Well whose works have been suspended for more than six (6) months.

6.17 Construction of Facilities

The Contractor shall build and maintain all facilities necessary for the proper performance of this Contract and the conduct of Petroleum Operations. In order to occupy land necessary for the exercise of its rights and obligations under this Contract, the Contractor shall request the authorization of the Ministry and/or other applicable governmental authorities, which authorization shall be subject to and granted in accordance with Article 6.19, the Hydrocarbons Law and other applicable laws of Equatorial Guinea. The Contractor shall repair any and all damage caused by such circumstances.

6.18 Occupation of Land

6.18.1 In order to carry out Petroleum Operations, the Contractor shall have the right to:

- (a) subject to Articles 6.17 and 6.18.2, occupy the necessary land for the performance of Petroleum Operations and associated activities as set out in paragraphs (b) and (c) below, including lodging for personnel;
- (b) undertake or procure the undertaking of any infrastructure work necessary in normal technical and economic conditions for the carrying out of Petroleum Operations and associated activities such as transport, storage of equipment, materials and extracted substances, establishment of telecommunications equipment and communication lines necessary for the conduct of Petroleum Operations at installations located both offshore and onshore;
- (c) undertake or ensure the undertaking of works necessary for the supply of water to personnel and installation works in accordance with water supply regulations; and
- (d) extract and use or ensure the extraction and utilization of resources (other than Hydrocarbons) from the subsoil necessary for the activities stipulated in paragraphs (a), (b) and (c) above in accordance with relevant regulations.

6.18.2 Occupation of land as mentioned in Article 6.18.1 shall become effective after the Ministry or other applicable governmental authority approves the request submitted by the Contractor indicating and detailing the location of such land and how the Contractor plans to use it, taking the following into consideration:

- (a) if the land belongs to the State, the State shall grant it to the Contractor for occupation and to build its fixed or temporary facilities during the term of this Contract for a fee and on terms to be agreed and such amount shall be considered a Petroleum Operations Cost;
- (b) if the land is private property by traditional or local right according to the Property Registry, then (1) if the occupation is merely temporary or transitory, or for right of way, the Contractor shall reach an agreement with the relevant property owner and the property owner shall reach an agreement with any occupant, tenant or possessor, with regard to the rental to be paid, and the resulting amounts shall be considered recoverable Petroleum Operations Costs, or (ii) if the occupation is permanent, the relevant owner and the Contractor shall reach an agreement regarding matters related to the property's acquisition and such amounts shall be considered Petroleum Operations Costs;
- (c) if the Contractor and the relevant property owner or occupant, tenant or possessor do not reach an agreement regarding the matters mentioned in paragraph (b) above, the Ministry shall act as a mediator between them and in the event that such mediation does not produce a resolution of the case the dispute shall be resolved by the courts of Equatorial Guinea unless recourse is had to the procedure described in paragraph (d) below;

- (d) the State may proceed to expropriate the land, subject to the prior publication of a decree of compulsory expropriation followed by a fair and reasonable valuation of the land concerned by an expert valuator. In such event the Contractor shall compensate the expropriated property owner in accordance with the value determined by such expert valuator if the State has not done so; such amounts shall be considered recoverable Petroleum Operations Costs;
- (e) the relinquishment, in whole or in part, of the Contract Area, will not affect the Contractor's rights under Article 6.18.1 to carry out building works and construction of installations, provided that such works and installations are directly related to other activities of the Contractor in the remainder of the Contract Area, as in the case of partial relinquishment, and covered by other production sharing contracts.

6.19 Residence of Personnel

There shall be no restrictions imposed on the entry, residence, free circulation, employment and repatriation of the personnel of the Contractor and its subcontractors, the family of such personnel, or the personal effects of such personnel and his or her family, provided that the Contractor and its subcontractors comply with all applicable laws including employment and social legislation of Equatorial Guinea. The State agrees to grant in a timely manner the entry, work, or residence permits or other permits or authorizations that, in accordance with the Laws of Equatorial Guinea, may be required by the personnel of the Contractor, the Operator or any subcontractor.

6.20 Assistance of Ministry

The Ministry shall assist the Contractor and its subcontractors in obtaining all administrative authorizations and licenses as may be reasonably necessary for the proper execution of Petroleum Operations under this Contract.

6.21 Opening of Branch Office

The Contractor shall, to the extent that it has not already done so, open a representative branch office in Equatorial Guinea within six (6) months following the Effective Date, until such time as an Equatorial Guinean incorporated affiliate is established pursuant to Article 17.1. Such branch office shall always be staffed by at least one (1) representative with sufficient authority to make decisions on behalf of the Contractor.

6.22 Premises

Upon the first Commercial Discovery, the Contractor shall, to the extent that it has not already done so, construct a prestigious building for its offices in Equatorial Guinea using modern and permanent materials and of an appropriate size and design as shall be approved by the Ministry. All costs related to such construction shall be recoverable as Petroleum Operation Costs in accordance with this Contract. Once such construction costs have been recovered by the Contractor, such property shall be owned solely by the State and the Contractor shall pay rent to the State at a price and on terms to be negotiated and such rent shall be considered recoverable Petroleum Operations Costs by the Contractor.

6.23 State Expenses

If, in connection with Contractor's performance of its obligations under this Contract or for the negotiation of this Contract prior to the Effective Date, or if circumstances emerged regarding this Contract other than as provided in this Section 6.23 of this Contract, any employee or official of the State, including the Ministry's personnel and GEPetrol, is required to travel to any location outside the Republic of Equatorial Guinea or as set out in Section 6.8.3 above, and the State agrees, through the Ministry, to permit such employee or official to travel for such purposes, Contractor agrees, subject to the prior mutual agreement of the Parties to such travel, to pay the following amounts to the Ministry, on behalf of the State, for the travel expenses related to the participation of such employees or officials:

- (a) the actual expenses incurred for travel to the location outside of the Republic of Equatorial Guinea and for travel to return to the Republic of Equatorial Guinea and lodging of such employees or officials at the foreign location, and
- (b) to pay to the Ministry, on behalf of the State, for the *per diem* as provided in the 2017 Budget Law. amount equal to the following for each day such employee or official is out of the Republic of Equatorial Guinea in accordance with the request of CONTRACTOR;

As requested by the Ministry, for travel approved by Company in advance, Company agrees

- A. As a consequence of the payment of the per diems noted above, Company shall not make any payments to or on behalf of any Government of Equatorial Guinea travelers in relation to meals or other incidental or miscellaneous costs incurred by such travelers during such travel, and all such costs shall be for the sole account of such travelers.
- B. The Parties agree that all payments made pursuant to this Section 6.23 by Company to the Ministry, on behalf of the State, and to the provider of services, shall be recoverable expenses under this Contract as Petroleum Operations Costs. The Parties further agree that in relation to all payments made pursuant to this Section 6.23, Company is neither seeking nor shall it gain any business or business advantage from the Ministry or the Government of the Republic of Equatorial Guinea as a result of making such payments.

The amounts contemplated pursuant to this Section 6.23 shall be payable by Contractor by wire transfer or check made out to the Ministry in the resulting total amount. Notwithstanding the foregoing, with respect to the actual travel and lodging expenses provided by Section 6.23(a), Contractor may choose to pay such amounts directly to the provider of such services for travel and lodging. The sums paid by Contractor pursuant to this Section 6.23 will be included as cost recoverable Petroleum Operations Costs. As a consequence of the payment of the amounts noted above, Contractor shall not make any payments to or on behalf of any Government employee or official in relation to meals or other incidental or miscellaneous costs incurred by such employee or official

during such travel, and all such costs shall be for the sole account of such employee or official.

ARTICLE 7

ROYALTIES, RECOVERY OF PETROLEUM OPERATIONS COSTS, AND DISTRIBUTION OF PRODUCTION

7.1 Royalties

7.1.1 The Contractor shall pay Royalties to the State from the first day of Production based on the daily Total Disposable Production from a Development and Production Area. The calculation shall be determined according to the following table applicable for each tranche:

Daily Total Disposable Production	Percentage of Royalties
0 to 40,000	13%
40,001 to 80,000	14%
80,001 to 120,000	14.5%
120,001 to 140,000	15%
Over 140,000	16%

7.1.2 The percentage corresponding to the level of Production shall be applied directly. Thus, for example: for a Production level of **ninety thousand (90,000)** Barrels per day, **fourteen point five percent (14.5%)** would be applied and the Royalty would be thirteen thousand fifty (**13,050**) Barrels.

7.2 Cost Recovery Oil

7.2.1 After deducting Royalties, the Contractor shall be entitled to up to **seventy percent (70%)** of the Total Disposable Production remaining in any Calendar Year for recovery of its Petroleum Operations Costs (**Cost Recovery Oil**).

7.2.2 The value of the portion of Total Disposable Production assigned to the Contractor's Petroleum Operations Costs recovered will be determined in accordance with Article 10.

7.2.3 If, during any Calendar Year, the Petroleum Operations Costs not yet recovered by the Contractor in accordance with this Contract exceed the value of the maximum amount of available Cost Recovery Oil, the portion of Petroleum Operations Costs not recovered in the said Year will be carried forward to the following Calendar Year for recovery purposes.

7.3 Net Crude Oil

The quantity of Total Disposable Production remaining every Year after the deduction of Royalties and Cost Recovery Oil will hereafter be referred to as **Net Crude Oil**, which will be shared between the State and the Contractor in the following proportions:

Accumulated Total Production (Million Barrels)	Entitlement of the State (%)	Entitlement of the Contractor (%)
0 – 70	20	80
70 – 140	30	70
140 – 200	35	65
200 – 400	40	60
over 400	50	50

7.4 Delivery of State’s Entitlement

The State’s share of Crude Oil to which it is entitled pursuant to Articles 7.1 and 7.3 shall be delivered to and accepted by the State or the Person appointed by it at the Delivery Point. The Contractor shall be free from all responsibility with respect to such Crude Oil from the time it has been delivered. However, should the State so require, the Contractor shall be obliged to purchase all or part of the State’s share of Total Disposable Production, subject to the provisions of Article 7.5.

7.5 Price Obtained by Contractor

7.5.1 If, pursuant to Article 7.4, the State requires the Contractor to purchase its share of Crude Oil, the State shall advise the Contractor of its next scheduled shipment at least three (3) months in advance, and the Ministry and the Contractor shall come to a mutual agreement as to the terms and conditions of such sale and purchase. In the event that three (3) months advance notice is not given, or they do not reach an agreement as to the terms and conditions of the sale and purchase, the Contractor shall not be obliged to purchase said Crude Oil.

7.5.2 The Ministry shall be entitled to compare the price for its Crude Oil obtained from the Contractor with similar market quotations. In the event that it is shown that the price obtained from the Contractor differs substantially from the quotations in similar markets, the Ministry shall have the right to evaluate the Contractor’s sales and marketing operations and, if justified, cancel any sales agreement between the State and the Contractor, without prejudice to any claim that the State may have against the Contractor with respect to the matters under dispute.

7.6 Export of Entitlement

Subject to Article 12 and the Hydrocarbons Law, each Party comprising the Contractor has the right to take, receive and freely export its share of Net Crude Oil and Cost Recovery Oil, provided it uses the services of an Equatoguinean Crude Oil maritime transport company, an international company associated with the National Company or any other local business that is able to provide the services under conditions that are internationally competitive in terms of price, quality, terms of payment and availability in accordance with Article 23.1. The Contractor will have the option to hire a company of its choice, should no local company be available to deliver such service.

7.7 Title to Contractor’s Entitlement

Title to the Contractor's portion of Net Crude Oil and Cost Recovery Oil shall pass to the Contractor at the Delivery Point.

ARTICLE 8 PARTICIPATION INTERESTS

8.1 Liability for Petroleum Operations Costs

Subject to Article 8.2, the Parties comprising the Contractor shall fund, bear and pay all costs and expenses for Petroleum Operations under this Contract and the Joint Operating Agreement in the proportions set forth in Article 1.3. Each of the Parties comprising the Contractor shall be represented on the operating committee under the JOA and shall have voting rights as provided therein.

8.2 Participation Interest of the National Company

8.2.1 The National Company's Participation Interest will be carried and paid for in full by the other Parties comprising the Contractor (other than the National Company) in proportion to their respective Participation Interests (other than the National Company's) through the Exploration Period. At approval of the Development and Production Plan, the National Company shall convert its carried Participation Interest into a full working Participation Interest in accordance with the Hydrocarbons Law. From that point on, the National Company shall be responsible for all its costs in respect of the area covered by the approved Development and Production Plan. For the avoidance of doubt, the National Company's Participation Interest in respect of the remainder of the Contract Area shall continue to be carried and paid for by the Parties comprising the Contractor (other than the National Company) in proportion to their respective Participation Interests (not including the National Company's) until such time as the National Company elects to convert its carried interest into a full working interest.

8.2.2 The costs, expenditures and obligations, including the costs incurred pursuant to Article 6.23, incurred by the Parties comprising the Contractor (other than the National Company) in relation to the National Company's carried Participation Interest shall be recoverable by the Parties comprising the Contractor (other than the National Company) in accordance with the provisions of this Contract and the Hydrocarbons Law.

8.2.3 The Parties comprising the Contractor (other than the National Company) shall recover the costs and expenditures in relation to the National Company's carried Participation Interest from fifty percent (50%) of the Hydrocarbons corresponding to the National Company's total entitlement in accordance with Articles 7.2 and 7.3.

ARTICLE 9 TAXATION

9.1 Payment of Taxes

Except as otherwise provided in this Contract, the Contractor, its subcontractors and affiliates and their respective employees, agents, consultants and other personnel shall be subject to the Tax Law, Customs Law and all regulations passed pursuant thereto, as

well as CEMAC (Central African Economic and Monetary Community) and fiscal and customs laws of Equatorial Guinea.

9.2 Audit Rights

The provisions of Article 16 shall apply to Income Tax, Royalty payments and to all other obligations under this Contract.

ARTICLE 10 VALUATION OF CRUDE OIL

10.1 Market Price

10.1.1 The unit selling price of Crude Oil under this Contract shall be the FOB Market Price at the Delivery Point, expressed in Dollars per Barrel and calculated in accordance with this Article 10.1. A Market Price shall be established for each type of Crude Oil or Crude Oil blend in accordance with this Article 10.1.

10.1.2 The Market Price applicable to all liftings of Crude Oil sold to third Parties under market conditions during one Quarter shall be the agreed selling price, adjusted, as necessary, to reflect differentials in quality, gravity, quantity, delivery conditions and terms of payment.

10.1.3 Before the period in which a price for Crude Oil is quoted by Platts for the Field from where Crude Oil is sold, the Market Price applicable to all liftings of Crude Oil sold to a Contractor's Affiliate and later sold to a third party, will be the value received under the Contract under market conditions with the said third party, adjusted, as necessary, to reflect differentials in quality, gravity, quantity, delivery conditions and terms of payment. Should there be no price quoted by Platts for the produced Crude Oil, the Contractor and the Ministry shall meet to establish a differential related to a crude marker quoted by Platts to reflect the differential in terms of quality and the commercial differentials. The meeting shall be held six months after the introduction in the market; all the Persons comprising the Contractor and participating in the marketing of Crude Oil during that period of six months, shall attend such meetings with the Ministry.

10.1.4 The Market Price applicable to all liftings of Crude Oil sold to a Contractor's Affiliate after having set a quoted price during a Quarter will be calculated by summing up the average of high and low quotes for Dated Brent according to the data published in the five (5) consecutive issues of the Platts Bulletin for the Crude Oil Market (including all corrections) posterior to the lifting informed date and the differential average between the sold Crude Oil and the Dated Brent one as published in the Platts Crude for the period starting on the fifteenth day (15th) day and ends on the last day of the Month of the Load Commercialization (inclusive).

This is given by the following formula;

Price = A+ B, where:

A= average o the high and low quotes of Brent Dating according to the according to the data published in the five (5) consecutive issues of the Platts Bulletin for the

Crude Oil Market (including all corrections) posterior to the lifting informed date.

B= differential average between the quality of the sold Crude Oil and the Dated Brent as published in the Plaits Crude for the period starting on the fifteenth day (15th) day and ends on the last day of the Month of the Load Commercialization (inclusive).

Should the qualities of the Crude Oil produced from the Field not correspond_ within tolerable bounds, a “C” adjustment will be created to bear in mind the differentials associated with the qualities that do not coincide with A and B. In such case, the Market Price formula will be modified as follows:

$$\text{Price} = A + B + C$$

Should the used Crude Oil stop being quoted to calculate the Market Price, the Ministry and the Contractor shall agree upon the Crude Oil which most closely resembles the Crude Oil whose prices are no longer quoted, in order to calculate the Market Price.

10.1.5 The Market Price applicable to all liftings of Crude Oil during one Quarter shall be equivalent to the weighted average of the prices obtained by the Parties comprising the Contractor, with the exception of the National Company, for all Crude Oil sold and valued in accordance with Articles 10.1.2, 10.1.3 and 10.1.4.

10.1.6 The following transactions shall be excluded from the calculation of the Market Price:

- a) Sales between Crude Oil providers and the national market; and
- b) Sales in which the compensation is different from a payment in a freely convertible currency, and sales totally or partially conducted due to reasons different from common commercial incentives for Crude Oil Sales in the international market (such as exchange contracts).

10.2 Disagreement of Market Price

10.2.1 The Contractor and the Ministry shall agree the Market Price in accordance with this Article 10; in the event that they are unable to agree on any matter concerning the Market Price of Crude Oil, either the Contractor or the Ministry may serve on the other a dispute notice. Within seven (7) days of the date of the dispute notice the Ministry shall establish a committee of two (2) Persons of which the Minister of Mines, Industry and Energy or his delegate will be the President and the other committee member will be a representative designated by the Contractor to represent it. The committee must meet and make a decision resolving any dispute under this Article 10 within thirty (30) days of the date of the dispute notice. The committee shall unanimously decide the dispute.

10.2.2 In the event a unanimous decision is not reached by the committee within the aforementioned thirty (30) day period, the dispute shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding on the Parties. The expert shall determine the Market

Price in accordance with the provisions of this Article 10 within twenty (20) days from the date of his appointment. The determination of the expert shall be final and binding upon the Parties, and, if should it not be complied with pursuant to Equatorial Guinea legislation, either Parties may refer the matter to arbitration under Article 26 to reach a final and binding decision. Unless otherwise determined by the expert, the costs and expenses of such expert shall be shared proportionately by the Parties on a per capita basis and the Contractor's share shall not be cost recoverable.

10.2.3 Pending the determination of the Market Price for a Quarter, the Market Price provisionally applicable to a Quarter shall be the Market Price of the preceding Quarter. Any necessary adjustment shall be made no later than thirty (30) days after the determination of the Market Price for the Quarter in question.

10.3 Payment Deadline to the State of the Market Price should the Contractor Commercialize the State Crude Oil.

According to Article 7.5, when the Contractor commercializes Crude Oil belonging to the State in favour of the State and the payment deadline has not been individually set under an Oil Commercialization Agreement with the State, within ten (10) days following every lifting, the Contractor shall provide the Ministry with full details relating to the prices resulting from the sale of each State Crude Oil lifting and Contractor shall forward the amounts resulting from such sales to the State within fourteen (14) days of receipt of such funds.

10.4 Audit of Market Price

The Ministry shall be entitled to audit and verify that the price obtained by the Contractor for each shipment of Crude Oil has been the price determined in accordance with this Contract. The Ministry has the right, during a period of two (2) Years from the transaction date, to assess the marketing practices of the Contractor and require the Contractor to pay the State for the difference between the price actually obtained and the Market Price determined in accordance with this Article 10. The disagreements with regard to the Market Price will be resolved in accordance with Article 10.2.2.

ARTICLE 11 BONUSES AND SURFACE RENTAL

11.1 Signature Bonus

The Contractor shall pay to the State a signature bonus of **two million** Dollars (**\$2,000,000**) within thirty (30) days of the Effective Date.

11.2 Discovery Bonus

On the date the Contractor notifies the Ministry for the first time that it deems a Discovery to be a Commercial Discovery in compliance with the provisions of Article 5.4, the Contractor shall pay to the State the sum of **two million** Dollars (**\$2,000,000**).

11.3 Production Bonuses

The Contractor shall pay to the State the following sums as Production bonuses:

- (a) on the date of start Production of Crude Oil from a Development and Production Area, **two million** Dollars (\$2,000,000);
- (b) **two million** Dollars (\$2,000,000) after daily Production from a Development and Production Area first averages **20,000** Barrels per day for a period of sixty (60) consecutive days;
- (c) **three million** Dollars (\$3,000,000) after daily Production from a Development and Production Area first averages **40,000** Barrels per day for a period of sixty (60) consecutive days;
- (d) **five million** Dollars (**\$5,000,000**) after daily Production from a Development and Production Area first averages **60,000** Barrels per day for a period of sixty (60) consecutive days; and
- (e) **six million** Dollars (\$6,000,000) after daily Production from a Development and Production Area first averages **120,000** Barrels per day for a period of sixty (60) consecutive days.

Such payments shall be made within thirty (30) days of the date that the liability accrues.

11.4 Surface Rentals

11.4.1 The Contractor shall pay to the State the following annual surface rentals:

- (a) **zero point twenty five** Dollars (\$0.25) per hectare of the Contract Area annually, for each Calendar Year or part thereof, during the Initial Exploration Period, the Extension Periods or any extension thereof; or
- (b) **two point five** Dollars (\$2.50) per hectare for each Development and Production Area, annually for each Calendar Year or part thereof, during the term of the relevant Development and Production period.

11.4.2 For the Year in which this Contract is signed, the surface rental set forth in Article 11.4.1(a) shall be prorated from the Effective Date through to 31 December of such Year and shall be paid within thirty (30) days after the Effective Date. For succeeding Years the surface rentals set forth in Article 11.4.1(a) and (b) shall be paid in advance not less than thirty (30) days before the beginning of each Calendar Year.

For the Calendar Year in which any Development and Production Area is granted the surface rental set forth in Article 11.4.1(a) and (b) shall be prorated from the date in which such Development and Production Plan is approved up to 31 December of said Calendar Year, and the additional sum shall be paid within thirty (30) days after the approval of the Development and Production Area. For succeeding Calendar Years the surface rental set forth in Article 11.4.1(b) shall be paid within thirty (30) calendar days after the beginning of each Calendar Year.

11.4.3 Surface rentals shall be calculated based on the surface of the Contract Area and, where applicable, of a Development and Production Area occupied by the Contractor on the date of payment of such surface rentals. For the avoidance of doubt, this shall exclude any relinquished areas. In the event of relinquishments made during a Calendar Year, the Contractor shall have no right to be reimbursed for the surface rentals already paid.

ARTICLE 12 OBLIGATION TO SUPPLY DOMESTIC MARKET

12.1 Obligation to Supply

In accordance with the Hydrocarbons Law, the Contractor shall meet as a priority the needs of domestic Hydrocarbon consumption, in Equatorial Guinea. For this purpose, and in accordance with the provisions of Articles 86 and 87 of the Hydrocarbons Law, if the State so requests, the Parties comprising the Contractor (other than the National Company, together with all other contractors which produce Net Crude Oil and/or Net Natural Gas, shall sell to the State, at the Delivery Point at international market price at terms to be agreed, a pro rata portion of its Net Crude Oil and/or Net Natural Gas for internal consumption in the country, provided that Contractor's obligation to supply Net Crude Oil and/or Net Natural Gas for purposes of meeting the domestic consumption needs shall not exceed the total of Contractor's entitlement of Gross Production of Net Crude Oil and/or Net Natural Gas after deduction of the State's Royalty under this Contract.

12.2 Notification from Ministry

No later than the first day of October of each Calendar Year, the Ministry shall notify the Parties comprising the Contractor (other than the National Company) of the quantities of Crude Oil and/or Natural Gas which it desires to purchase under this Article 12 for the subsequent Calendar Year. The Crude Oil and/or Natural Gas shall be delivered to the State or to the beneficiary designated by the State during such Calendar Year according to procedures to be agreed between the Ministry and the Contractor.

ARTICLE 13 NATURAL GAS

13.1 Unassociated Natural Gas

13.1.1 In the event of an Unassociated Natural Gas Discovery, the Contractor shall comply with the provisions of Article 5.2. However, if the Appraisal work program presented by the Contractor following the Discovery of Unassociated Natural Gas has a duration exceeding that of the Initial Exploration Period or any of its extensions, the Contractor may request from the Ministry an extension of the relevant Exploration Period with respect to the Appraisal Area related to such Discovery for a period of up to four (4) Years starting from the expiry of the Initial Exploration Period or any of its Extension Periods, as appropriate. The Contractor shall request the aforementioned extension at least sixty (60) days prior to the expiry of the relevant period.

13.1.2 If the Contractor considers that the Unassociated Natural Gas Discovery does not warrant Appraisal or further Appraisal, in conformity with the provisions of Article 5.12, the

Ministry may, with ninety (90) days' advance notice, require the Contractor to relinquish all of its rights over the Appraisal Area encompassing such Discovery.

13.1.3 In the same manner, if after completion of the Appraisal work, the Contractor considers that the Unassociated Natural Gas Discovery is not commercial, the Ministry may, with ninety (90) days' advance notice, require the Contractor to relinquish all of its rights over the Appraisal Area encompassing such Discovery.

13.1.4 In both the above cases the Contractor shall be deemed to have waived all its rights to the Hydrocarbons produced from such Unassociated Natural Gas Discovery, and the State may then carry out, or cause to be carried out, all the Petroleum Operations relating to that Discovery, without compensation or indemnification to the Contractor, provided, however, that such work shall not prejudice the performance of other Petroleum Operations of the Contractor. The Ministry may request that the Contractor undertake all continuing operations for a fee and on terms to be agreed between the Ministry and the Contractor.

13.2 Associated Natural Gas

13.2.1 In the event that a Discovery of Crude Oil is considered to be a Commercial Discovery, the Contractor shall state in the report referred to in Article 5.3 whether it considers that the Production of Associated Natural Gas is likely to exceed the quantities necessary for the requirements of Petroleum Operations relating to the Production of Crude Oil (including re-injection operations), and whether it considers that such excess is capable of being produced in commercial quantities. In the event the Contractor has informed the Ministry of such an excess, the Ministry and the Contractor shall jointly assess the possible markets and uses for such excess of Associated Natural Gas, both on the local market and for export (including the possibility of joint marketing of their shares of Production of that excess of Associated Natural Gas in the event such excess would not otherwise be commercially exploitable), together with the means necessary for its marketing.

13.2.2 In the event the Ministry and the Contractor should decide that the Development of the excess Associated Natural Gas is justified, or in the event the Contractor should wish to develop and produce such excess, the Contractor shall indicate in the Development and Production Plan the additional facilities necessary for the Development and Production of such excess and its estimate of the costs related thereto. The Contractor shall then proceed with the Development and Production of such excess in accordance with the Development and Production Plan submitted and approved by the Ministry under Article 5.5. A similar procedure shall be applicable if the sale or marketing of Associated Natural Gas is agreed during the Production of a Field.

13.2.3 In the event the Contractor does not consider the exploitation of the excess Associated Natural Gas is justified and if the State at any time wishes to utilize it, the Ministry shall notify the Contractor of the State's wish, in which event:

- (a) the Contractor shall put at the disposal of the State free of charge the Crude Oil and Associated Natural Gas separation facilities for all or part of such excess that the State wishes to utilize;

- (b) the State shall be responsible for the gathering, treatment, compression and transportation of such excess Associated Natural Gas from the receiving point at the Contractor's facilities and for bearing any additional costs and liabilities related thereto; and
- (c) the construction of the facilities necessary for the operations referred to in paragraph (b) above, together with the recovery of that excess by the State shall be carried out in accordance with generally accepted practice of the international petroleum industry.

13.2.4 In no event shall the Operations carried out by the State in relation to such Associated Natural Gas interfere with Petroleum Operations of the Contractor.

13.2.5 Any excess Associated Natural Gas not utilized in accordance with Articles 13.2.1, 13.2.2 and 13.2.3 shall be re-injected by the Contractor in accordance with Article 6.14. Flaring will be permitted only in accordance with the Hydrocarbons Law and is subject to the approval of the Ministry. The Contractor shall be permitted to flare Associated Natural Gas without the approval of the Ministry in the event of an emergency, provided that every effort is made to diminish and extinguish such flaring of Natural Gas as soon as possible. The Ministry has the right to offtake, free of charge, at the wellhead or gas oil separator all Natural Gas that would otherwise be re-injected or flared by the Contractor.

13.3 Provisions Common to Associated and Unassociated Natural Gas

13.3.1 The Contractor shall dispose of its share of the Production of Natural Gas in accordance with this Contract and the Hydrocarbons Law. The provisions of this Contract applicable to Crude Oil shall apply *mutatis mutandis* to Natural Gas unless otherwise specified herein.

13.3.2 The selling price for all Natural Gas to be sold in the domestic market shall be set by the Ministry in accordance with the Hydrocarbons Law. The selling price for all Natural Gas to be sold outside of the domestic market shall be as agreed between the Ministry and the Contractor. The Ministry and Contractor shall proceed in good faith to negotiate a gas sales agreement, if required.

13.3.3 For the purposes of Articles 7.3 and 11.3, the quantities of available Natural Gas after deduction of the quantities re-injected, flared or necessary for the conduct of Petroleum Operations shall be expressed in a number of Barrels of Crude Oil on a BTU equivalent energy content basis adjusted monthly by a commercially appropriate factor relating the price of Natural Gas with the price of Crude Oil in terms of the provisions of Article 10.3, unless otherwise agreed between the Ministry and the Contractor.

13.3.4 The provisions of Article 7.2 in respect of cost recovery shall apply *mutatis mutandis* to the Production of Natural Gas.

13.3.5 The quantity of Natural Gas produced and saved from the Contract Area which remains after the Contractor has taken the portion for the recovery of Petroleum Operations Costs pursuant to Article 13.3.4 shall be referred to as **Net Natural Gas**.

13.3.6 Subject to the Hydrocarbons Law, the Ministry and the Contractor hereby agree that, in the case of Natural Gas Production, they shall reach separate agreements and arrangements with respect to the sale and marketing of Natural Gas.

ARTICLE 14 CUSTOMS REGULATIONS

14.1 Importation of Goods, etcetera

14.1.1 In accordance with the stipulations of Articles 63 and 64 of the Hydrocarbons Law, the Contractor shall be permitted to import into Equatorial Guinea all the goods, materials, machinery, equipment and consumer goods directly necessary to properly carry out Petroleum Operations in its own name or in the name of its sub-contractors or other Persons acting on its or their behalf.

14.1.2 For the purpose of this Contract, the Contractor shall benefit from the following advantages:

- (a) All materials, products, machinery, equipment and tools necessary for Petroleum Operations, provided that these goods, which are exclusively destined and actually dedicated directly to Petroleum Operations and that are destined to be re-exported at the end of their use, will be treated as imported under the conditions stipulated in the Customs Code, the importation in compliance with the regulations of Temporary Admission (TA) or Temporary Imports (TI), either normal or special, whichever is the case for the Contractor, for its sub-contractors and Persons acting on its or their behalf, of all materials, products, machinery, equipment and tools necessary for Petroleum Operations; and
- (b) Admission with exemption from any tax and/or duty of all materials, products, machinery, equipment and tools totally used or consumed in Equatorial Guinea, exclusively and effectively devoted to Hydrocarbon prospecting, Exploration, Development, and Production Operations subject to this Contract. This exemption applies to imports directly made by the Contractor, its subcontractors and Persons acting on its behalf, on condition that a certificate of end use is issued.

14.1.3 Apart from the exemptions established in the above paragraphs of this Article 14 and the items referred to in Article 14.1.4, which are waivers that may be granted by the Government according to the law, all goods, materials, products, machinery and equipment imported or exported by the Contractor shall be subject to taxes and/or duties, in accordance with the customs legislation in force in Equatorial Guinea.

14.1.4 The Contractor shall follow the procedures to obtain such waivers, according to the Decree 134/2015 of 2nd of November 2015. The Government shall grant those waivers in accordance with the law to import all goods, materials, machinery, equipment and consumer goods directly needed to implement such Petroleum Operations on behalf of the Contractor or on behalf of its subcontractors or other Persons acting on behalf of the Contractor or its subcontractors in such a way that the import of these items be free and exempt from all customs duties, taxes and fees different from charges resulting from the delivery of the services needed to comply with customs legislation.

14.2 Oil Export Rights

Subject to Article 12, the Contractor, its purchasers and transporters will have the right to export and at any time the quantities of Cost Recovery Oil and Net Crude Oil belonging to the Contractor from the Delivery Point selected for this purpose free of taxes and/or duties and fees different from charges resulting from the delivery of the services needed to comply with customs legislation.

14.3 Export of Goods and Materials that have not been transferred to the State

In compliance with the customs obligations as set out in this Contract and regulations currently in force, the Contractor, its subcontractors and Persons acting on its or their behalf may export or re-export, free of taxes, import duties and fees different from charges resulting from the delivery of the services needed to comply with customs legislation, goods imported within the framework of this Contract when they are no longer necessary for Petroleum Operations, provided that their ownership has not been transferred to the State in accordance with the terms of this Contract. However, all goods not subject to rental, which from a financial and accounting position are already cost-recovered, will not be re-exported under any customs regime.

14.4 Customs Documentation

All imports, exports and re-exports in the framework of this Contract shall be subject to the formal procedures required by customs authorities pertaining to documentation, except in the case of an emergency requiring urgent action, in which Contractor shall submit all required documentation as soon as it reasonably can, but not later than ten (10) days after the arrival of the goods in Equatorial Guinea.

14.5 Exclusion of Penalties and Fines related to Petroleum Operations Costs

Should the Contractor or their subcontractors, representatives or agents be considered liable for the payment of fines, penalties or any other legal duties related to any non-compliance with the laws related to the use and enjoyment by the Contractor of the benefits described in Article 14, such fines, penalties or other legal duties shall be excluded from the Petroleum Operational Costs of the Contractor.

14.6 Imports and Exports by Foreign Personnel

Subject to Article 14.5, the foreign personnel appointed to work in Equatorial Guinea on behalf of the Contractor or its subcontractors and their families, shall be permitted to import their personal belongings and household articles in bulk shipments free of any kind of customs duties, taxes or fees different from charges resulting from the delivery of the services needed to comply with customs legislation within the first year as from their initial entrance in Equatorial Guinea and, then, every two years. Any shipment for subsequent resale shall not be considered as personal belongings. The personal belongings and household articles that have been exempt from import duties and fees shall also be exempt from export duties and fees once the subsequent export has taken place.

ARTICLE 15
FOREIGN CURRENCY

15.1 Exchange Control Laws

The Contractor and its subcontractors and all Persons acting on its or their behalf must comply with all applicable exchange control laws of Equatorial Guinea. However, as long as they shall have met their respective payment and tax obligations under this Contract and the laws of Equatorial Guinea, they shall benefit, during the term of this Contract, from the following rights regarding Petroleum Operations:

- (a) to retain or dispose of any proceeds outside of Equatorial Guinea including any proceeds from the sale of its or their share of Hydrocarbons;
- (b) to pay foreign subcontractors and expatriate employees of the Contractor, outside of Equatorial Guinea, after deduction of the relevant taxes in Equatorial Guinea. For this purpose, the Contractor may open and use freely bank accounts in Dollars or in other currencies in banks of its choice in Equatorial Guinea and abroad. Notwithstanding the foregoing, while this Contract is in force the Contractor and each of its subcontractors shall establish and maintain a bank account in a national banking institution in Equatorial Guinea, which shall have the Minimum Retention as set out in Article 1.1.77, which has been approved by the Ministry and, in the case of subcontractors, the minimum amount set by the Ministry from time to time;
- (c) to transfer such funds as the Contractor or its subcontractors shall have imported into Equatorial Guinea, or earned from Petroleum Operations, or from the proceeds of the sale or lease of goods or performance of services under this Contract;
- (d) to obtain abroad loans required for the performance of their activities under this Contract, provided that the Ministry shall have approved the terms of such loan, including the rate of interest and terms of repayment, whose approval shall not be unreasonably withheld or delayed);
- (e) to collect and maintain abroad all the funds acquired or borrowed abroad, and to freely dispose thereof, limited to the amounts that exceed the requirement of funds for their operations in Equatorial Guinea; and
- (f) free movement of funds owned by them according to the laws of Equatorial Guinea.

15.2 Report on Foreign Exchange Transactions

The Contractor and its subcontractors shall submit to the Ministry of Finance and Budgets, within forty-five (45) days of the end of each Quarter, a report with details of any foreign exchange transactions made during the preceding Quarter, including any transactions directly related to Petroleum Operations on accounts opened abroad and made in accordance with the provisions of Article 15.1.

15.3 Freedom of Exchange

The Contractor's and its subcontractors' expatriate employees shall be permitted, in accordance with the regulations then in effect in Equatorial Guinea, to freely exchange and to freely transfer to their country of origin any savings arising from their salaries, as well as any retirement and personal benefits paid by or for such employees, provided they have met their tax obligations in Equatorial Guinea.

ARTICLE 16 BOOKS, ACCOUNTS, AUDITS AND PAYMENTS

16.1 Maintenance of Records and Books

16.1.1 The Contractor shall at all times maintain at its offices in Equatorial Guinea the original records and books of Petroleum Operations in accordance with all applicable regulations and the Accounting Procedure.

16.1.2 All records and books shall be maintained in the Spanish and English languages and be denominated in Dollars, or such other currency as shall be requested by the Ministry from time to time. They shall be supported by detailed documents demonstrating the expenses and receipts of the Contractor under this Contract. Such records and books shall be used to determine the Contractor's Gross Revenues, Petroleum Operations Costs and net profits, and to establish the Contractor's Income Tax and other payment obligations. Such records and books shall also include the Contractor's accounts showing sales of Hydrocarbons.

16.2 Submission of Accounts

Within ninety (90) days after the end of a Calendar Year, the Contractor shall submit to the Ministry detailed accounts showing the Petroleum Operations Costs which the Contractor has incurred during such Calendar Year. The Contractor may request the approval of the Ministry for an additional extension of up to thirty (30) days; such approval shall not be unreasonably withheld or delayed. The accounts shall be certified by an independent external auditor acceptable to the Ministry and the Contractor. The expenses of such an auditor shall be met by the Contractor and shall be deemed a Petroleum Operations Cost.

16.3 Audit of Ministry

16.3.1 After notifying the Contractor, the Ministry may have experts of its choice or its own agents examine and audit any records and books relating to Petroleum Operations. The Ministry has a period of three (3) years from the date the Contractor submits to the Ministry such records and books in accordance with Article 16.2, to perform such examinations or audits with respect to the said Calendar Year and submit its objections to the Contractor for any contradictions or errors found during such examinations or audits.

16.3.2 The Contractor shall provide to the Persons designated by the Ministry any necessary assistance for the foregoing purpose and facilitate the performance of their duties. The Contractor shall bear all reasonable expenses incurred in such examination or audit,

which shall be recoverable as Petroleum Operations Costs. However, any expenses incurred for the audit and inspection of accounting books and records outside of Equatorial Guinea due to the Contractor's non-compliance with this Article 16 shall be borne by the Contractor and will not be recoverable as a Petroleum Operations Cost or deductible for tax purposes.

16.3.3 In the event of a disagreement between the Ministry and the Contractor in relation to the results of any examination or audit, the dispute shall be determined by an internationally recognized expert appointed by the International Chamber of Commerce in accordance with its Rules for Expertise (ICC Expertise Rules). The determination of the expert shall be final and binding on the Parties. Unless otherwise determined by the expert, the costs and expenses of such expert shall be met proportionately by the Parties on a per capita basis and the Contractor's share shall not be a Petroleum Operations Cost.

16.4 Currency and Account of Payments

16.4.1 All payments between the Parties under this Contract shall, unless otherwise agreed, be in Dollars, or such other currency as shall be requested by the Ministry from time to time. Subject to Article 16.4.2, when the receiving Party is the State, payments shall be made to the General Treasury of the State, and when the receiving Party is the Contractor, payments shall be made to a bank account designated by the Contractor and notified to the Ministry.

16.4.2 All payments to be made to the Ministry pursuant to Article 23.2.2 shall be made to such account as shall be notified to the Contractor.

16.5 Timing and Overdue Payments

Unless otherwise agreed, all payments under this Contract shall be made within thirty (30) days following the date on which the obligation to make such payment occurs. In the event of a delay in payment the amount due shall bear interest compounded monthly at the rate of LIBOR plus two percent (2%) per annum.

ARTICLE 17 TRANSFER, ASSIGNMENT AND CHANGE OF CONTROL

17.1 Transfer to Equatoguinean Affiliate

Within the second (2nd) Calendar Year following the Effective Date, to the extent that they have not already done so, each of the Parties comprising the Contractor (other than the National Company) shall incorporate an Affiliate under the laws of Equatorial Guinea and OHADA and shall assign all of its rights and obligations in and under this Contract, the Joint Operating Agreement and any other agreement relating to Petroleum Operations to such Affiliate. After such transfer, all of the rights and obligations of the Parties comprising the Contractor under this Contract, the Joint Operating Agreement and any other agreements relating to Petroleum Operations shall be assumed by such Affiliate(s). Any assignment or transfer under this Article 17.1 shall not be subject to the provisions of Articles 17.2 and 17.3. The foregoing assignment or transfer shall not affect any parent company or bank guarantee provided pursuant to this Contract.

17.1.1 As to the withholding tax on dividends, pursuant to Article 237 of Law Number 4/2004 dated October 28, 2004, Regulating the Taxation System of the Republic of Equatorial Guinea (the “**Dividend Withholding Tax**”):

For a Field for which the Development and Production Plan has been approved by the Ministry in accordance with Article 5.5 above, the Dividend Withholding Tax will not accrue or be due and payable and is waived in its entirety (“**Withholding Tax Waiver**”) for ten (10) Calendar Years commencing with first commercial production from such qualifying Field.

17.2 Assignment, Transfer, Change of Control

17.2.1 The assignment, transfer, or other disposition of the rights and/or obligations of a Party comprising the Contractor shall require the prior consent of the Ministry. Any request for authorization shall be accompanied by all information related to the assignment, transfer, or other disposition including all legal instruments, in final draft form, to be used to carry out the proposed transaction, the identity of all parties to the transaction, the estimated value of the transaction and whether the consideration is payable in kind, securities, cash or otherwise. Such assignment, transfer, or other disposition shall be subject to the payment of a non-recoverable, non-deductible fee (“**Transfer Fee**”) of (i) one percent (1%) of Book Value of the assignment, transfer, or disposition when such occurs during the Exploration Periods, and (ii) two percent (2%) of Book Value of the assignment, transfer, or disposition when such occurs during Development and Production Operations, and other non-monetary requirements stipulated in the authorization issued by the Ministry. The assignee and the assignor shall be jointly and severally liable for the payment of such Transfer Fee and for the fulfillment of any other requirements. If within ninety (90) days following notification to the Ministry of a proposed assignment accompanied by the necessary information to prove the technical and financial means of the assignee as well as the terms and conditions of assignment, the Ministry has not given notice of his opposition with reasonable justification, such assignment shall be deemed to have been approved by the Ministry.

Any assignment, transfer, or other disposition of the rights and/or obligations of a Party comprising the Contractor to an Affiliate shall not be subject to the Transfer Fee.

17.2.2 All assignees must:

- (i) have the technical and financial ability to meet its obligations under this Contract;
- (ii) in relation to the interest assigned, accept and assume all of the terms and conditions of this Contract, the Joint Operating Agreement and any other agreements relating to Petroleum Operations; and
- (iii) be an entity with which the Ministry and each of the Parties comprising the Contractor can legally do transactions.

17.2.3 All profits resulting from any assignment, transfer or other disposition of any rights and/or obligations under this Contract, regardless of the type and location of the transaction, shall be subject to taxation in conformity of the Tax Law of Equatorial Guinea.

17.2.4 Subject to Article 104 of the Hydrocarbon Law and Article 168 of the Petroleum Regulations, each and every one of the Parties comprising the Contractor shall have the right to sell, grant, hand over, transfer or dispose in any other manner all or part of their rights and interests in the Contract, subject to the prior written consent of the Ministry, which shall not be withheld or delayed with no justified reason:

- (a) To a wholly owned Affiliate;
- (b) To the beneficiary of the transfer as foreseen in Article 17.1;
- (c) To any of the other Parties comprising the Contractor; or
- (d) To third parties.

17.2.5 If there is an assignment or transfer all or part of their rights and interests in the Contract by Company to a third party, the third party assignee will purchase all existing data packages (both seismic and well) over the Area for **one million five hundred thousand** Dollars (\$1,500,000).

17.3 Change of Control

For the purposes of this Article 17, the transfer of ownership of more than fifty percent (50%) of the shares of any Party comprising the Contractor (other than the National Company) or any similar transfer that results in a change of Control shall be deemed to be an assignment of contractual rights under this Contract and consequently subject to the terms and conditions of this Article 17, except for the cases of transfers to an Affiliate wholly owned by any Party comprising the Contractor (except for the National Company), in which case such transfer shall not be deemed a change of Control.

17.4 Recourse to Third Party Funding

Recourse by any Party comprising the Contractor to third party funding which involves the assignment of rights over its entitlement to Hydrocarbons under this Contract is not permitted without the prior consent of the Ministry, which consent shall not be unreasonably withheld or delayed with no justified reason.

17.5 The National Company's Right of Preemption

When an assignment, transfer or other disposition of any rights under this Contract to a third party is anticipated, the assigning Party must notify in writing the National Company as soon as practicable. The National Company shall then have the right to purchase the assigning Party's interest under this Contract and proposed to be assigned, transferred or otherwise disposed of on the same terms and conditions as those offered to a bona-fide assignee. This right is in addition to any right of pre-emption granted to the National Company under the Joint Operating Agreement. This right of pre-emption is not applicable to any assignment, transfer or other disposition of any rights under this Contract to an Affiliate.

ARTICLE 18 INDEMNIFICATION, LIABILITY AND INSURANCE

18.1 Liability and Indemnity

18.1.1 The Contractor shall indemnify, hold harmless and compensate any Person, including the State, for any damage or loss which the Contractor, its Affiliates, its subcontractors and their respective directors, officers, employees, agents or consultants and any other Person acting on its or their behalf may cause to such Person or their property in the conduct of Petroleum Operations. All costs incurred under this Article 18.1 caused by the negligence or willful misconduct of the Contractor, its Affiliates, its subcontractors or their respective directors, officers, employees, agents or consultants or any other Persons acting on its or their behalf shall not be cost recoverable as a Petroleum Operations Cost.

18.1.2 The Contractor shall assume all liability, and exempt the State from any liability, in respect of any and all claims, obligations, losses, expenses (including attorneys' fees), damages or costs of any nature resulting from the violation of any intellectual property rights of any kind caused by the Contractor, its Affiliates or subcontractors as a result of or in relation to the conduct of Petroleum Operations, regardless of the nature of the violation or of the way in which it may occur.

18.2 Joint and Several Liability

Where the Contractor is comprised of more than one Person, the liabilities and obligations of such Persons under this Contract shall be joint and several, except for their obligations and liabilities in relation to all taxation assessed on their income, including capital gains tax or any other similar tax or withholding tax in lieu of income or similar tax.

18.3 Insurance

18.3.1 The Contractor shall obtain and, during the term of this Contract, maintain in full force and effect, for Petroleum Operations insurance of such type and in such amount as is customary and prudent in accordance with generally accepted practice of the international petroleum industry, and whose coverage terms and conditions shall be communicated to the Ministry within thirty (30) days after the Effective Date. The foregoing insurance shall, without prejudice to the generality of the foregoing provisions, cover:

- (a) any loss or damage to all assets used in Petroleum Operations;
- (b) pollution caused in the course of Petroleum Operations;
- (c) property loss or damage or bodily injury or death suffered by any Person in the course of Petroleum Operations;
- (d) the cost of removing wrecks and clean-up operations following an accident or upon decommissioning; and
- (e) the Contractor's liability to its employees engaged in Petroleum Operations.

18.3.2 The Contractor shall require its subcontractors to carry insurance of such type and in such amount as is customary in accordance with generally accepted practice of the international petroleum industry.

18.3.3 The Contractor shall use all reasonable endeavors to place the insurance required under this Article 18 with Equatoguinean insurance brokers and insurance companies.

ARTICLE 19

TITLE OF GOODS, EQUIPMENT AND DATA

19.1 Title and Use of Facilities, etcetera

All installations, facilities, goods, equipment, materials or land acquired by the Contractor for Petroleum Operations shall become property of the State from the point at which their costs are fully recovered by the Contractor. The Ministry shall authorize the Contractor to continue using those permanent facilities and equipment that continue to prove useful in carrying out Petroleum Operations, in accordance with Article 32 of the Hydrocarbons Law.

19.1.1 The Contractor and the Ministry shall agree the mode and conditions of such use, subject to ensuring their maintenance in good condition and good working order, normal wear and tear excepted. In any case, upon termination, rescission or cancellation of this Contract, for any reason whatsoever, in relation to all or any part of the Contract Area, the ownership of said installations, facilities, goods, equipment, materials or land, and including those whose costs have not been fully recovered, and any other items acquired and used for Petroleum Operations shall become the sole property of the State and shall be conveyed directly to it.

19.1.2 Regardless of whether or not the Contractor has recovered the relevant costs in accordance with this Contract, the State is entitled to use the said facilities, goods, equipment, materials or land for its own purposes, provided that such use does not interfere with the Contractor's Petroleum Operations.

19.1.3 Under no circumstances may the Contractor sell, assign, transfer or otherwise dispose of any such facilities, goods, equipment, materials or land to any other Persons.

19.1.4 The provisions of this Article 19.1 shall not apply to any leased equipment or to the Contractor's equipment that is not charged to Petroleum Operations as a Petroleum Operations Cost.

19.1.5 If the Ministry does not wish to use any of the facilities, goods, equipment and materials referred to in this Article 19.1, it has the right to request the Contractor to remove them at the Contractor's own expense, and the Contractor will carry out any decommissioning operations of the said facilities, goods, equipment and materials in accordance with this Contract and the Hydrocarbons Law, and based on the time frame and specified conditions in the approved decommissioning plan.

19.2 Ownership of Data

All data, technical information and interpretations obtained, acquired or derived as a result of Petroleum Operations shall be the sole property of the State. However, the Contractor may retain copies of all such materials for the duration of this Contract only, including, among others, geological, geophysical, petrophysical and engineering reports, Well reports, termination reports, samples and any other information that the Contractor

may have obtained or compiled during the term of this Contract. The Contractor shall forward such data, technical information and interpretations to the Ministry as soon as they are acquired, derived or compiled and shall also provide the Ministry on an annual basis with a report that itemizes all such data, technical information and interpretations that have been assembled during the Year. Unless previously provided, at the termination of this Contract or at any time of relinquishment, the Contractor shall return to the Ministry all original data, technical information and interpretations relating to the areas relinquished and will remove all copies of such from the Contractor's files, archives, computers and data storage mechanisms.

ARTICLE 20 CONFIDENTIALITY

20.1 Disclosure of Confidential Information

20.1.1 The Parties agree that for the duration of this Contract, the terms hereof and all information relating to this Contract and Petroleum Operations shall be kept strictly confidential and may not be divulged by any Party without mutual consent, except:

- (a) to an Affiliated Company;
- (b) to any governmental agency, designated by the State or other entities or consultants of the Ministry;
- (c) to the extent that such data and information is required to be furnished in compliance with any applicable laws or regulations;
- (d) in conformity with the requirements of any stock exchange having jurisdiction over a Party;
- (e) where any data or information forms part of the public domain otherwise than a result of a breach of this Contract;
- (f) to employees, directors, officers, agents, advisors, consultants or subcontractors (both actual and potential) of a Party comprising the Contractor or an Affiliate;
- (g) to any company with a bona fide interest in the carrying out of a possible assignment; and
- (h) to any bank or financial establishment with which an entity of the Contractor solicits or obtains financing,

provided that the disclosing Party shall be responsible for any and all breaches of this Article by such Persons and provided further that any disclosure to the Persons referred to in paragraphs (f), (g) and (h) above shall be limited to those Persons who are under a duty of confidentiality similar to that contained in this Article 20.1.

20.1.2 For an additional period of two (2) Years after the termination of this Contract, only the Parties comprising the Contractor (other than the National Company) shall be obliged to comply with the above stated requirements.

20.2 The Contractor's Patents

The State shall not reveal to any third parties information pertinent to the Contractor's own technology that is protected by patents or contractual agreements, or which the State has received under license for a period of two (2) Years after termination of this Contract.

20.3 Continuation of Obligations

Any Party ceasing to own a Participation Interest in this Contract during the term of this Contract shall nonetheless remain bound by the obligations of confidentiality set forth in this Article 20.

20.4 Disclosure of Confidential Information by the State and Ministry

In order to explore and exploit areas adjoining or related to the Contract Area, the State and the Ministry may, notwithstanding this Article 20, disclose to any third parties a limited set of data and information relating to part or parts of the Contract Area and Petroleum Operations hereunder, upon agreement with the Contractor.

ARTICLE 21 TERMINATION

21.1 Termination by the State

Notwithstanding any other actions contemplated herein, this Contract may be terminated, without compensation to the Contractor, on any of the following grounds:

- (a) a material breach by the Contractor (not attributable to any act or omission of the State or to any Person representing the State) of any of the provisions of this Contract or the Hydrocarbons Law;
- (b) a delay by the Contractor (not attributable to any act or omission of the State or to any Person representing the State) in making any payment owed to the State that exceeds three (3) months;
- (c) the suspension of Development works on a Field for six (6) consecutive months, except when such suspension (i) has been approved by the Ministry in advance, or (ii) is due to an act or omission on the part of the State or of any Person representing the State, or (iii) is as a result of Force Majeure,
- (d) when, after the commencement of Production of a Field, its exploitation is suspended for at least three (3) consecutive months, without the prior permission of the Ministry, except when such suspension (i) is due to an act or omission on the part of the State or of a Person representing the State, or (ii) is as a result of Force Majeure;
- (e) when the Contractor fails to comply within the prescribed time period with an arbitration award in accordance with the provisions of Article 26, and the failure to comply is not attributable to any act or omission of the State or to any Person representing the State;

- (f) when a Well is drilled to an objective beyond the vertical planes of the limits of the Contract Area without the prior consent of the Ministry;
- (g) a breach of this Contract arising out of activities which are illegal or contrary to national or international law (not attributable to any act or omission of the State or to any Person representing the State);
- (h) under the provisions of Article 2.3; or
- (i) when the Contractor is declared bankrupt, or in liquidation as a result of financial insolvency, or enters into judicial or financial arrangements on insolvency with its creditors generally, except when the Contractor can provide the State with a new financial guarantee that is acceptable to the Ministry in its sole discretion, and that guarantees the capacity of that Party to fulfill its obligations under this Contract.

21.2 Notice of Termination and Grace Period

21.2.1 The Ministry may declare this Contract terminated only after having served a formal notice on the Contractor, by registered mail, requesting it to remedy the situation or breach in question, and, if the situation or breach in question is capable of remedy, requesting it to remedy the same within five (5) Business Days from receipt of such notice regarding payments due under Article 21.1(b) or within three (3) months from receipt of such notice for all other situations or breaches capable of remedy. Otherwise the effective date of the termination of this Contract shall be date of receipt by the Contractor of the foregoing notice.

21.2.2 If the Contractor fails to comply with such notice within the prescribed time period or fails to show within such five (5) Business Days or three (3) month period that it has commenced and is promptly and diligently continuing to remedy the situation or breach in question, the Ministry may pronounce *ipso jure* the termination of this Contract.

21.3 Termination against one Party

The Ministry may terminate this Contract as to one of the Parties comprising the Contractor, if the circumstances set forth in Article 21.1 are applicable to only that Party in the manner set forth in Article 21.2.

ARTICLE 22 UNITIZATION

22.1 Obligation to Unitize

If any Hydrocarbon bearing reservoir lying within the Contract Area extends beyond such area, the Contractor must carry out all Development and Production in respect of such Hydrocarbon bearing reservoir in accordance with the Hydrocarbons Law. The Contractor shall use all reasonable endeavors to reach a mutually acceptable unitization agreement and program with all other affected Persons.

22.2 Suspension of Obligations

In the event that Petroleum Operations that are the subject of this Contract are suspended by reason of negotiations arising in respect to a unitization scenario in relation to a specific Discovery, the provisions of Article 5.3 for such Discovery shall be extended for a period of time equal to the duration of such suspension.

ARTICLE 23

LOCAL CONTENT AND SOCIAL PROGRAMS

23.1 Regulation of National Content

The Contractor shall comply with the Local Content Regulation enacted by the Ministry in the Ministerial Order 1/2014 of 26th of September 2014, abiding by the duties established in this Article 23. For all non-Material Contracts, the Contractor, with no obligation to bid and without the Ministry's approval (which will be regarded as granted pursuant to the Hydrocarbon Law):

- (a) before awarding a service contract, the Contractor shall notify the Ministry the need for such services;
- (b) the Ministry shall provide a list of national companies to the Contractor within fifteen (15) days of Contractor's notice of the need for such services. The Contractor shall support the Ministry by including the national companies of the list the Contractor regards as competent in the bids required in the framework of this Contract;
- (c) When granting the contracts, the Contractor shall give preference to the national companies included in the list given by the Ministry according to Article 23.1(b), in agreement with the Decree 127/2004. Should the Contractor consider that such companies are not competent or not in compliance with Contractor's compliance and financial requirements, the contract may be granted to a foreign company, according to Articles 12 and 13 of the Ministerial Order 1/2014;
- (d) The Contractor shall notify the foreign company winning the tender regarding the hire of services about the conditions specified in Article 23 (1) (c);
- (e) the Contractor shall send the Ministry, at the end of July and January of every calendar year, a list of the subcontractors that have provided services in Equatorial Guinea during the previous period;
- (f) in the contracts that imply service delivery or goods supply in Equatorial Guinea, the Contractor shall include clauses that make the subcontractors to abide by the specifications of the Ministerial Order 1/2014;
- (g) the Contractor shall organize workshops to make the national companies aware of the requirements demanded by the Operator in terms of service delivery;
- (h) the Contractor shall notify the Ministry, which in turn shall inform all the additional competent authorities, of the vacancies and new jobs to implement the works in Equatorial Guinea;

- (i) at the beginning of the Operations of Development and Production, the Contractor shall hand over and agree a plan with the Ministry to hire national employees and empower them; this action shall include tasks and actions for their professional development to be carried out at the offices of the Operator in Dallas with the possibility of joining the Technical Team of Operations of Equatorial Guinea to reach the reasonable and feasible nationalization targets, and shall send updated information to the Ministry with regard to the implementation of such a plan at the end of July and January of each subsequent year; and
- (j) The Contractor shall send to the Ministry a description of the tools used to evaluate the national employees.

23.2 Employment and Empowerment of Equatoguinean Personnel

23.2.1 At the beginning of the Operations of Development and Production of the EG-21 Block, the Operator shall ensure priority of employment of Equatoguinean qualified personnel at all levels of its organization, according to the following table and on the basis of the competences and skills of the employees. For the purpose of this Article, the technicians proposed by the National Company will also be taken into account as long as they have the competences and experience required; such employees will join the technical team of the operator under the personnel coverage in secondment. The Operator shall empower or contribute to the training of the aforementioned personnel so that they acquire the competences and skills required to fill any vacancy, including the supervision positions, related to Petroleum Operations. However, the Operator will only have to hire the numbers of personnel needed to implement the Petroleum Operations in a cautious and profitable manner.

Positions	Percentage of National Employees	Percentage of Expatriate Employees
Total number of employees	75 %	25 %
Technical and professional positions (Geologists and engineers, legal experts, financial experts, safety, health and environment)	60 %	40 %
Supervision and management positions	50 %	50 %
Technicians working offshore (including Safety, Health and Environment)	85 %	15 %
Support and administration services	100 %	0 %

23.3 Preference to Equatoguinean Services

The Contractor and its subcontractors undertake to give preference to Equatoguinean services, materials, equipment, consumables and other goods whose quality and time of delivery are comparable to those available internationally, provided that the cost in Equatorial Guinea is no more than ten percent (10%) above the cost of similar services, materials, equipment, consumables and other goods available internationally.

23.4 Employment and Training of Equatoguineans

23.4.1 From the Effective Date, the Contractor shall ensure priority employment for adequately qualified Equatoguinean personnel in all levels of their organization, as the employee's skill allows, and as provided for in Article 23.2.2, shall train or contribute in the training of such personnel to enable them to qualify for any position relating to Petroleum Operations. Expatriate personnel may only be employed if the Contractor and its subcontractors have exhausted all possibilities of recruiting adequately qualified Equatoguinean personnel in the required area of specialization.

23.4.2 During the term of this Contract, the Parties comprising the Contractor (other than the National Company), during the Exploration Period, shall spend **one hundred thousand** Dollars (\$100,000) per Calendar Year, to provide a mutually agreed number of Ministry and National Company personnel with on-the-job training in the Contractor's operations in Equatorial Guinea and overseas and/or practical training at institutions abroad, particularly in the areas of natural earth sciences, engineering, technology, accounting, economics and other related fields of oil and gas exploration and exploitation ("**Job Training**"). During the term of this Contract, the Parties comprising the Contractor (other than the National Company), during the Development and Production Period, shall spend **three hundred thousand** Dollars (\$300,000) per Calendar Year, to provide Job Training.

The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.4.3 Additionally, during the term of this Contract, the Parties comprising the Contractor (other than the National Company) shall transfer to the Ministry one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall transfer to the Ministry three hundred thousand Dollars (\$300,000) per Calendar Year during the Development and Production Period, which the Ministry shall use at its sole discretion to educate and train Equatoguinean personnel selected by the Ministry at universities, colleges or other training institutions selected by the Ministry and for other general training and educational purposes ("**Training Funds**").

The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.5 Social Projects

If the Contractor funds any social projects outside of those approved in an Annual Budget such costs shall not be recoverable as a Petroleum Operations Cost.

Given that Equatoguinean civil society is a part of the local content in oil and gas contracts, the Contractor shall commit one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall commit four hundred fifty thousand Dollars (\$450,000) per Calendar Year during the Development and Production Period, to cooperate with non-governmental organizations in charitable works to develop society, sport activities and health programs to fight and prevent disease, as well as other non-profit related activities. The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.6 National Technology Institute

The Contractor shall transfer to the Ministry one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall transfer to the Ministry three hundred thousand Dollars (\$300,000) per Calendar Year during the Development and Production Period, and provide other reasonable non-monetary assistance as may be requested by the Ministry from time to time with the implementation and development of the National Technology Institute to train and develop mid and upper level personnel in the petroleum industry of Equatorial Guinea and in accordance with the Hydrocarbons Law. The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

23.7 National Database of the Ministry of Mines and Hydrocarbons

The Contractor shall transfer to the Ministry one hundred thousand Dollars (\$100,000) per Calendar Year during the Exploration Period and shall transfer to the Ministry three hundred thousand Dollars (\$300,000) per Calendar Year during the Development and Production Period, and provide other reasonable non-monetary assistance as may be requested by the Ministry from time to time with the implementation and development of the a data base of seismic and well data in the petroleum industry of Equatorial Guinea and in accordance with the Hydrocarbons Law. The above costs will be recoverable as a Petroleum Operations Cost in accordance with the provisions of this Contract.

ARTICLE 24 DECOMMISSIONING

24.1 Relinquishment or Decommissioning

24.1.1 Subject to Article 2.5.2, the Contractor may at any time relinquish and/or abandon any portion of the Contract Area or any Well not included in a Field subject to having given three (3) months prior notice to the Ministry, provided that the Contractor shall have fulfilled all of its obligations under this Contract and that it has given the Ministry full details of the state of any reservoir and the facilities and equipment in such area in addition to any plans for the removal or dismantling of such facilities and equipment including all technical and financial information. All decommissioning operations must be undertaken in accordance with the Hydrocarbons Law.

24.1.2 The decommissioning of a Field by the Contractor and its corresponding decommissioning plan shall require the prior approval of the Ministry in accordance with the Hydrocarbons Law. The Contractor shall prepare and deliver to the Ministry a plan for the decommissioning of all Wells, facilities and equipment, the rehabilitation of the landscape and the continuation of Petroleum Operations, if applicable, in accordance with the Hydrocarbons Law.

24.1.3 Unless the Ministry elects to keep the facilities and equipment in order to continue Petroleum Operations in accordance with Article 24.3.3, the Contractor is obligated to fully decommission all Fields within the Contract Area.

24.2 Right of Ministry

Upon receipt by the Ministry of the notice referred to in Article 24.1.1 or upon the decommissioning of any Field, the Ministry shall be entitled to take over any Discovery or Field whose decommissioning is proposed by the Contractor. If the Ministry does not communicate its desire to take over Petroleum Operations within three (3) months of receipt of the relevant notice, it shall be deemed to have elected not to do so.

24.3 Reserve Fund

24.3.1 In order to implement the decommissioning of a Field, the Contractor shall contribute to a reserve fund for the estimated decommissioning costs, (the **Reserve Fund**) in accordance with the Hydrocarbons Law and the approved decommissioning plan, and shall be included as a recoverable cost. As for the constitution of the Reserve Fund, it will begin from the Fifth (5) year from the first production at an international bank holding at least a Standard and Poor's A- rating to be agreed by the Parties. All contributions mentioned will be deductible for tax purposes and will be considered as a cost of Petroleum Operations in the year in which they were contributed.

24.3.2 In the event that the total amount of the Reserve Fund is greater than the actual cost of decommissioning, the account balance shall be distributed between the State and the Contractor in accordance with Article 7.3. In the event that the amount of the Reserve Fund is less than the actual cost of decommissioning operations, the Contractor shall be liable for the remainder.

24.3.3 In the event that the Ministry elects to keep the facilities and equipment in order to continue Petroleum Operations after the withdrawal of the Contractor, the Reserve Fund so established together with the related interest shall be put at the Ministry's disposal to cover the later decommissioning. The Contractor shall be released from any further decommissioning liability in respect of such facilities and equipment.

24.4 Continuing Operations

The State undertakes not to interfere with the conduct of Petroleum Operations in the Contract Area retained by the Contractor in the event that the State should elect to take over a Discovery or Field pursuant to Article 24.2. If requested by the Ministry, the Contractor shall undertake to continue all operations for a fee and on terms to be agreed between the Ministry and the Contractor.

24.5 Protection of the Environment

The Contractor shall duly plug all the Wells and decommission all facilities and equipment in order to avoid contamination and harm to the environment and possible damage to the reservoir, in accordance with the Hydrocarbons Law, the other laws of Equatorial Guinea and generally accepted practice of the international petroleum industry.

ARTICLE 25 APPLICABLE LAW

25.1 Applicable Law

This Contract and all Petroleum Operations carried out hereunder shall be governed by and construed in accordance with the laws and regulations of Equatorial Guinea,

25.2 Change in Law

Should a Change in the Law occur, and if as a consequence of its implementation, such a Change in the Law caused, to the detriment of the Contractor or its shareholders, a decrease in economic rights or an increase in the economic obligations included in or resulting from this Contract, the Parties shall take the adequate measures to achieve the necessary economic balance, based on the principle that the Contractor shall be restored to the same economic status it would have if no change had occurred. Such Contractor's restoration shall not exceed the benefits received by the State and by other third beneficiaries of the Change in the Law, as a result of such a change. This norm shall never be interpreted as if the Contractor is being denied the advantages it could benefit from as a result of the new law, decree, norm, order or regulation passed by the State.

25.3 Business Standards

Each Party represents and warrants that it did not engage any person, firm or company as a commission agent for purposes of this Contract and that it has not given or offered to give nor will it give or offer to give (directly or indirectly) to any person any bribe, gift, gratuity, commission or other thing of significant value, as an inducement or reward for doing or forbearing to do any action or take any decision in relation to this Contract, or for showing or forbearing to show favor or disfavor to any person in relation thereto. The Contractor further represents and warrants that no loan, reward, offer, advantage or benefit of any kind has been given to any official of the State or any person for the benefit of such official or person or third parties, as consideration for an act or omission by such official in connection with the performance of such person's duties or functions or to induce such official to use his or her position to influence any act or decisions of the administration with respect to this Contract.

ARTICLE 26 RESOLUTION OF CONFLICTS AND ARBITRATION

26.1 Dispute Resolution and Notification

26.1.1 In the event of any dispute, claim, conflict or controversy (a **Dispute**) between any of the Parties arising out of, or in relation to, this Contract, including any question regarding its breach, existence, validity or termination, the Parties shall take all reasonable measures to resolve such Dispute amicably.

26.1.2 If the relevant Parties have not reached an amicable agreement after three (3) months of the date of the notice of a Dispute by one Party to another, unless the Parties to the Dispute mutually agree to an extension, any Party to the Dispute may refer the Dispute for resolution by final and binding arbitration:

- (a) to the International Centre for the Settlement of Investment Disputes (the **Centre**) established by the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington, March 18, 1965 (the **ICSID Convention**);

to the Additional Facility of the Centre, if the Centre is not available; or

- (b) in accordance with the Arbitration Rules of the International Chamber of Commerce (ICC), if neither the Centre or the Additional Facility are available.

26.1.3 The Parties hereby consent to submit to the Centre any dispute arising out of or relating to this Contract for settlement by arbitration pursuant to the Rules of Arbitration of the Centre. The State and the National Company agrees not to make, and hereby irrevocably waives, in relation to any Dispute, whether relating to acts of a sovereign or governmental nature or otherwise, all claims of immunity (sovereign or otherwise) by it or on its behalf from the jurisdiction of, and from the enforcement of any arbitral award rendered by, an arbitral tribunal constituted pursuant to this Contract as well as all claims of immunity from the service of process or the jurisdiction of any court in aid of the jurisdiction of such arbitral tribunal or in connection with the enforcement of any such award.

26.2 Seat and Language of Arbitration

The seat of the arbitration shall be agreed by the Parties to the Dispute and, in case of a disagreement, shall be determined by the arbitrators. The languages of the arbitration proceedings, and of all orders, decisions, and the award, shall be Spanish and English

26.3 Number and Identity of Arbitrators

The arbitral tribunal shall be constituted by three (3) arbitrators selected according to the following procedure:

- (a) The claimant and the respondent shall, within thirty (30) days from the day on which a request for arbitration has been submitted, appoint an arbitrator each (and if there is more than one claimant or more than one (1) respondent, then the claimants and/or the respondents collectively shall each appoint a single arbitrator), by giving notice in writing of such appointment to the Secretary-General of ICSID and the other Party or Parties to the Dispute.
- (b) If either the claimant or the respondent fails to comply with the time limit in the preceding paragraph, the Chairman of the Administrative Council of ICSID shall appoint the arbitrator or arbitrators that have not yet been appointed, at the request of either the claimant or the respondent and after consulting the claimant and the respondent as far as possible. The Chairman of the Administrative Council of ICSID shall give notice in writing of such appointment or appointments to the Secretary-General of ICSID and the claimant and the respondent.
- (c) The two (2) arbitrators so appointed shall, within thirty (30) days of their appointment agree upon the person to be appointed as the President of the tribunal, and give notice of such appointment to the Secretary-General of ICSID and the claimant and the respondent.
- (d) If the two (2) arbitrators fail to agree upon the person of the President of the tribunal, the Chairman of the Administrative Council of ICSID shall appoint the President, at the request of either the claimant or the respondent, and after consulting the claimant and the respondent as far as possible. The Chairman of

the Administrative Council of ICSID shall give notice in writing of such appointment to the Secretary-General of ICSID and the claimant and the respondent.

None of the arbitrators shall be a citizen of the countries of any of the Parties to the Dispute (or in the case where the Party is a company or another entity, any country or countries of nationality of such Party, including the country of its ultimate parent).

26.4 Rules of Arbitration

The arbitration procedures initiated under this Contract shall operate under the arbitration rules in effect for ICSID, the Additional Facility or ICC, as the case may be, at the time of the filing of the request for arbitration, which rules are deemed to be incorporated herein by reference in this Article 26.

26.5 Binding Nature of Arbitration

The arbitration award shall be final and binding on the Parties and shall be immediately enforceable, subject to the remedies provided for in the ICSID Convention and Arbitration Rules, in the Arbitration Rules of the Additional Facility of the Centre, or in the ICC Arbitration Rules, as appropriate. The Parties waive any right to refer any question of law, and any right of appeal on the law and/or merits to any court. It is expressly agreed that the arbitrators shall have no authority to award aggravated, exemplary or punitive damages.

26.6 Costs of Arbitration

The costs of arbitration shall be charged in accordance with the directions of the arbitration tribunal, failing which shall be borne proportionally by the Parties to the Dispute on a per capita basis. The costs of the Parties comprising the Contactor shall not be recoverable.

26.7 Payment of Awards

Any monetary award issued shall be expressed and payable in Dollars.

ARTICLE 27 FORCE MAJEURE

27.1 Non-fulfillment of Obligations

Any obligation or condition arising or derived from this Contract which any Party is unable to perform, whether in whole or in part, shall not be considered as a breach or non-fulfillment of its obligations under this Contract if such breach or non-performance is caused by an event of Force Majeure, provided that there is a direct cause-and-effect relationship between the non-performance and the event of Force Majeure. Notwithstanding the foregoing, all payment obligations owed by any Party to another must be made when due.

27.2 Definition of Force Majeure

For the purposes of this Contract, an event shall be considered an event of Force Majeure if it meets the following conditions:

- (a) it has the effect of temporarily or permanently preventing a Party from performing its obligations under this Contract;
- (b) it is unforeseeable, unavoidable and beyond the control of the Party which declares Force Majeure; and
- (c) it is not a result of the negligence or willful misconduct of the Party which declares Force Majeure.

Such an event shall include acts of God, earthquake, inclement weather, strike, riot, insurrection, civil unrest, blockade, sabotage and acts of war (whether declared or not). The Parties intend for the term of Force Majeure to be construed in accordance with the principles and practice of the international petroleum industry.

27.3 Notification of Force Majeure

If any Party is unable to comply with any obligation or condition provided herein due to Force Majeure, it shall notify the other Parties in writing as soon as possible, and in any event not later than fourteen (14) days after the event in question, giving the reason for its non-compliance and a detailed account of the Force Majeure, as well as the obligation or condition affected. The Party affected by the Force Majeure shall use all reasonable endeavors to remove the cause thereof, keep the other Parties fully informed of the situation and the current evolution of the Force Majeure event and shall promptly notify the other Parties as soon as the Force Majeure event is over and no longer prevents it from complying with its obligations or conditions hereunder.

27.4 Continuation of Obligations

All obligations, other than those affected by the event of Force Majeure, shall continue to be performed in accordance with this Contract.

27.5 Cessation of Force Majeure

Upon the cessation of the event of Force Majeure, the relevant Party shall undertake and complete, as soon as practicable and within a time frame to be mutually agreed by the Parties, all obligations suspended as a result thereof.

27.6 Continuation of Force Majeure

When a Force Majeure event lasts more than ninety (90) days, the Parties will forthwith consult to examine the situation and implications for Petroleum Operations, in order to establish the course of action appropriate for the fulfillment of contractual obligations under the circumstances of the said Force Majeure. In such event the term of this Contract will be extended by the same amount of time that the Force Majeure has lasted.

ARTICLE 28 ASSISTANCE AND NOTICE

28.1 Assistance of Ministry

28.1.1 The Ministry shall facilitate, within its authority and in accordance with the rules and procedures in effect in Equatorial Guinea, the performance of the Contractor's activities by granting it all permits, licenses and access rights that are reasonably necessary for the purposes of Petroleum Operations, and by making available to it all necessary services with respect to Petroleum Operations in Equatorial Guinea.

28.1.2 The Ministry shall also facilitate and assist the Contractor in obtaining all permits, licenses or rights not directly related to Petroleum Operations, but which the Contractor may reasonably require for the purposes of fulfilling its obligations under this Contract.

28.2 Notices and Other Communications

All notices, approvals or other communications authorized or required between the Parties by any of the provisions of this Contract shall be in writing (in Spanish and English), addressed to such Parties and delivered in person by courier service or by any electronic means of transmitting written communications which provides written confirmation of complete transmission. For purposes of this Contract, oral communication does not constitute notice or approval, and e-mail addresses and telephone numbers for the Parties are listed below as a matter of convenience only. A notice or approval given under any provision of this Contract shall be deemed delivered only when actually received by the Party to whom such notice or approval is directed, and the time for such Party to deliver any communication in response to such originating notice or approval shall run from the date the originating notice or approval is received. Each Party shall have the right to change its address at any time and/or designate that copies of all such notices or approvals be directed to another Person at another address, by giving written notice thereof to all other Parties.

For the State:

MINISTRY OF MINES AND HYDROCARBONS

Autovia Aeropuerto – Ela Nguema
Malabo II, Malabo – Guinea Ecuatorial

Malabo, Bioko Norte

Republic of Equatorial Guinea

For the attention of: His Excellency the Minister of Mines and Hydrocarbons

Telephone: + (240) 09 3567, 09 3405

Facsimile: + (240) 093353

For the Contractor:

Kosmos Energy Equatorial Guinea

c/o Circumference (Cayman), P.O.
Box 32322, 4th Floor, Century Yard,
Cricket Square, Elgin Avenue,
George Town, Grand Cayman, KY1-
1209, Cayman Islands

For the attention of: **General Counsel**
Telephone: +1 214 445 9600
Facsimile: +1 214 445 9705

For the National Company:
GUINEA ECUATORIAL DE PETRÓLEOS
Tone Gepetrol
Autovia Aeropuerto – Ela Nguema
Malabo II, Malabo – Guinea Ecuatorial
GEPetrol P.O. Box 965 Malabo
Equatorial Guinea
For the attention of: Director General
Telephone: + (240) 096769
Facsimile: + (240) 096692

ARTICLE 29 MISCELLANEOUS

29.1 Amendments

This Contract may only be amended in writing and by mutual agreement between the Parties; any purported amendments in contravention of this provision shall not be effective.

29.2 No Partnership

This Contract shall not be construed to create an association, joint venture or partnership between the Parties or to impose any partnership obligation or liability upon a Party.

29.3 Hydrocarbons Law

All Petroleum Operations and the Contractor are subject to the provisions of the Hydrocarbons Law and the Petroleum Regulations in effect from time to time.

29.4 Entire Agreement

With respect to the subject matter contained herein, this Contract (i) is the entire agreement of the Parties and (ii) supersedes all prior understandings and negotiations of the Parties.

29.5 No Waiver

In the event of a waiver by any Party of one or more defaults by another Party in the performance of the provisions of this Contract, such waiver shall not operate or be construed as a waiver of any future default or defaults by the same Party, whether of a like or of a different character. Except as expressly provided in this Contract no Party shall be deemed to have waived, released or modified any of its rights under this Contract unless such Party has expressly stated, in writing, that it does waive, release or modify such right.

29.6 No Conflict

- 29.6.1 Each of the Parties constituting the Contractor undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other Parties in connection with activities contemplated under this Contract.
- 29.6.2 In the event of any conflict between the main body of this Contract and its Annexes, the main body shall prevail. In the event of any conflict between this Contract and the Hydrocarbons Law, the Hydrocarbons Law shall prevail.

ARTICLE 30 INTERPRETATION

- 30.1 The table of contents and headings used in this Contract are for convenience only and shall not be construed as having any substantive significance or as indicating that all of the provisions of this Contract relating to any topic are to be found in any particular Article.
- 30.2 Reference to the singular includes a reference to the plural and vice versa.
- 30.3 Reference to any gender includes a reference to all other genders.
- 30.4 Unless otherwise provided, reference to an Article or an Annex means an Article or Annex of this Contract.
- 30.5 The words 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.
- 30.6 Any reference to a Person shall be construed as including a reference to its successors, permitted transferees and permitted assignees.
- 30.7 Any reference to a statute or enactment shall be construed as a reference to such statute or enactment as it may have been or may be amended or re-enacted from time to time, or any subordinate legislation made or legal norm created, or may from time to time be done, under such statute or enactment.
- 30.8 Reference to this Contract or part thereof or any other document shall be construed as a reference to the same as it may be amended, supplemented, novated or replaced from time to time.

ARTICLE 31 EFFECTIVE DATE

This Contract shall become effective upon the date the Contractor receives notification in writing of its ratification by the President of Equatorial Guinea.

IN WITNESS WHEREOF, the Parties have executed this Contract in **three (3)** originals in the Spanish language and **three (3)** originals in the English language. In the event of any conflict, the Spanish version shall prevail.

**THE REPUBLIC OF EQUATORIAL GUINEA
THE MINISTRY OF MINES AND HYDROCARBONS**

Signature:
Name: H.E Señor Don
Title: Minister of Mines and Hydrocarbons

/s/ Gabriel M. Obiang Lima
Gabriel M. Obiang Lima

THE NATIONAL COMPANY

Signature:
Name: Don
Title: Director General

/s/ DON ANTONIO OBURU ONDO
Antonio Oburu Ondo

**THE COMPANY
KOSMOS ENERGY EQUATORIAL GUINEA**

Signature:
Name:
Title: President

/s/ Andrew Inglis
Andrew Inglis

ANNEX A
CONTRACT AREA

This Annex is an integral part of this Contract between the Republic of Equatorial Guinea and the Contractor.

Upon the Effective Date, the initial Contract Area covers an area deemed equal 2,254 (**two thousand two hundred fifty-four**) square kilometres (km²) or 225,400 (**two hundred twenty-five thousand, four hundred**) hectares (Ha) for the purposes of Article 11.4.

The Contract Area is described on the map in Annex B. The points indicated on such map are defined below, by reference to the Greenwich meridian and their geographic coordinates:

Point	Latitude	Longitude
A	2° 00'00.00" N	8° 45' 00.00" E
B	2° 00'00.00" N	9° 15' 00.00" E
C	1° 38'00.00" N	9° 15' 00.00" E
D	1° 38'00.00" N	8° 45' 00.00" E

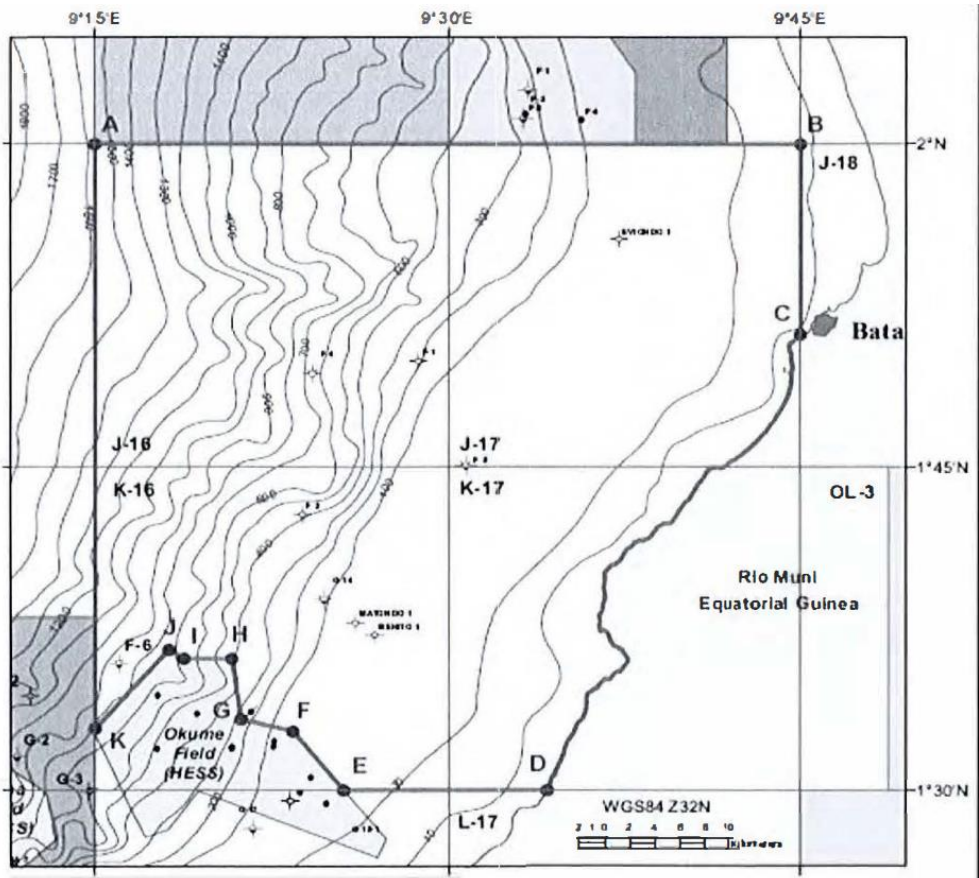
Block W
WGS84 UTM 325
2253.773 sqkm

X	Y
472198.00	10221063.11
527802.00	10221063.11
527807.60	10180534.63
472192.40	10180534.63

ANNEX B
MAP OF THE CONTRACT AREA

This Annex is attached to this Contract between the Republic of Equatorial Guinea and the Contractor and forms an integral part of the same.

This map is included for illustrative purposes only and in the event of any discrepancies or conflict, the Contract Area shall be defined by the geographical co-ordinates specified in Annex A.



ANNEX C
ACCOUNTING PROCEDURE

This Annex is an integral part of the Contract between the Republic of Equatorial Guinea and the Contractor.

ARTICLE 1

GENERAL PROVISIONS

1.1 PURPOSE

The object of this Accounting Procedure is to establish equitable criteria and methods of calculation and accounting applicable to the provisions of the Contract, and in particular when:

- (a) classifying and defining Petroleum Operations Costs; and
- (b) prescribing the manner of preparing and submitting the financial statements of the Contractor in accordance with accounting principles in effect in Equatorial Guinea.

1.2 INTERPRETATION

For the purposes of this Accounting Procedure, the terms used herein and which are defined in the Contract shall have the same meaning when used in this Accounting Procedure. In the event of any discrepancy or conflict between the provisions of this Accounting Procedure and any other provisions of the Contract, the provisions of the Contract shall prevail.

1.3 ACCOUNTING RECORDS AND REPORTS

1.3.1 In accordance with the provisions of Article 16.1 of the Contract, the Contractor shall maintain in its office in Equatorial Guinea original, complete, true and correct accounts, books and records of the Production and disposition of Hydrocarbons, and all costs and expenses under the Contract, as well as all other records and data necessary or proper for the settlement of accounts in accordance with the laws of Equatorial Guinea, generally accepted accounting procedures and generally accepted practice in the international petroleum industry and pursuant to the chart of accounts agreed pursuant to Article 1.3.2 below.

1.3.2 Within sixty (60) days from the Effective Date, the Contractor shall submit to and discuss with the Ministry a proposed outline for the chart of accounts and the books, records and reports in accordance with generally accepted standards and consistent with normal petroleum industry practices and procedures.

Within sixty (60) days of receiving the above proposal, the Ministry shall either provide notice of its approval of the proposal, or shall request revisions of such chart of accounts in writing.

Within one hundred and eighty (180) days after the Effective Date, the Contractor and the Ministry shall agree on the outline of the chart of accounts, books, records, and reports which shall describe the basis of the accounting system and procedures to be developed and used in accordance with this Accounting Procedure. Following such agreement, the Contractor shall immediately prepare and provide the Ministry with formal copies of the detailed and complete chart of accounts and manuals related to the

procedures, and a list of the data and records to be accounted for, recorded, reported and to be followed under the Contract.

1.3.3 In addition to the generality of the foregoing, the Contractor shall submit to the Ministry, at regular intervals, statements relating to the Petroleum Operations, including, but not limited to, the following:

- (a) monthly statement of Production;
- (b) quarterly statement of value of Production and pricing;
- (c) statement of Petroleum Operations Costs;
- (d) annual statement of Petroleum Operations Cost not yet recovered;
- (e) statement of Production sharing;
- (f) annual end-of-year statement;
- (g) Annual Budget tracking statement;
- (h) Annual statement of tangible goods subject to depreciation; and
- (i) Quarterly, the state of goods, materials and properties which are anticipated to be transferred to the State within three months of said report, due to the full recovery of its cost.

1.3.4 All reports and statements shall be prepared in accordance with the Contract, the laws of Equatorial Guinea and any regulations thereunder and in accordance with generally accepted practice of the international petroleum industry.

1.3.5 Within sixty (60) days after the Calendar Year, the Contractor shall submit to the Ministry the execution of the budgets as well as the annual accounts (the balance sheet, the cash flow statement and the income statement) and the schedule of amortizations, attaching for the report of internal audit for reliability of said information.

1.4 LANGUAGE AND UNIT OF ACCOUNT

Unless otherwise agreed all accounts, records, books and reports shall be prepared and maintained in Spanish and English and shall be denominated in Dollars. Additionally, Contractor may maintain accounts and records in other languages and currencies for information purposes only.

1.5 VERIFICATION AND AUDIT RIGHTS OF THE STATE

1.5.1 When the Ministry exercises its right of audit under Article 16.3 of the Contract, it shall provide notice to the Contractor, at least sixty (60) days in advance regarding such audit, which shall take place during normal business hours. The Contractor shall make available to the Ministry all accounts, books, records, invoices, cash vouchers, debit notes, price lists or any other documentation relating to Petroleum Operations. Furthermore, the auditors shall have the right, in connection with such audit, to visit and inspect at

reasonable times any of the Contractor's sites, plants, facilities, warehouses and offices which affect Petroleum Operations directly or indirectly and to question personnel associated with those Operations.

The Contractor shall endeavor to provide records and accounts from any of its 62 Affiliates or other Persons necessary to support charges from them. If an Affiliate or any other Person considers such information confidential or proprietary, the Ministry may select an internationally recognized independent firm of public accountants to carry out an audit, subject to the approval of the Affiliate or other Person, such approval not to be unreasonably withheld or delayed. If the Ministry does not conduct an audit within the time stipulated in accordance with Article 16.3 of the Contract, the Contractor's accounts, books and records shall be deemed correct and final.

- 1.5.2 Any audit exceptions shall be made in writing and notified to the Contractor within ninety (90) days of completion of the corresponding audit. Failure to give such exception by the Ministry shall be deemed to be an acknowledgement of the accuracy of the Contractor's books and accounts.
- 1.5.3 If the Contractor fails to respond to any notice of exception under Article 1.5.2 within ninety (90) days of receipt of such notice, the results of the audit will be considered valid and accepted by the Contractor. After the said period of time the Ministry's exception shall prevail.
- 1.5.4 Any adjustments resulting from an audit shall be promptly applied to the Contractor's accounts; any adjustments to payments due shall also be effected promptly.
- 1.5.5 If the Contractor and the Ministry are unable to reach final agreement on the proposed audit adjustments they shall resolve the dispute in accordance with the provisions of Article 16.3.3 of the Contract.

When audit related issues are still outstanding, the Contractor shall preserve any relevant documents and allow the Ministry access to them until the issue is finally resolved.

1.6 CURRENCY EXCHANGE RATES

The exchange rate shall be determined monthly, based on the arithmetic average of the closing buy and sell rates for the Dollar against the CFA (Communauté Financière Africaine or African Financial Community) currency unit for the month, as published by the Bank of Central African States (BEAC).

The exchange rate of the preceding calendar month shall be used for exchange transactions and for the purpose of determining the counter value of Dollars in the Equatoguinean currency unit for the next month.

1.7 ACCOUNTING BASIS

All books and accounts shall be prepared on an accrual accounting basis. Revenues shall be posted to the accounting period in which they were earned, without any need to recognize whether a given transaction results in a disbursement or cash receipt, Expenses and costs shall be regarded as incurred, in the case of physical items, during the

accounting period in which the relevant title is transferred to the Contractor and in the case of services during the accounting period in which such services are rendered.

1.8 REVIEW OF ACCOUNTING PROCEDURE

By mutual agreement between the Ministry and the Contractor, this Accounting Procedure may be revised periodically by a document in writing executed by the Parties.

ARTICLE 2
GENERAL CLASSIFICATION OF PETROLEUM COSTS

All costs related to Petroleum Operations shall be classified in accordance with their end use. Classification criteria shall be included in the approved Annual Work Program and Annual Budget for the Calendar Year in which the expenditure is made. All Petroleum Operations Costs shall be classified, defined and allocated as set forth below.

2.1 EXPLORATION COSTS

Any and all direct, general and administrative costs incurred during Hydrocarbon Exploration and Appraisal activities in an area which is part of the Contract Area, including but not limited to:

- (a) aerial, geophysical, geochemical, palaeontological, geological, topographical and seismic surveys and studies and their interpretation;
- (b) core hole drilling;
- (c) any labor, materials, supplies, and services used in drilling Exploration Wells and Appraisal Wells;
- (d) any facilities used solely in support of the purposes described in paragraphs (a), (b) and (c) above, including access roads and acquired geological and geophysical data, all separately identified;
- (e) any other cost incurred in the Exploration and Appraisal of Hydrocarbons after the Effective Date but prior to the date of approval of a Development and Production Plan with respect to the relevant Field and not covered under Articles 2.2, 2.3 and 2.4 below; and
- (f) the costs incurred prior to the Effective Date which both Parties have agreed to, including the cost of the Sea Bed Logging, 2D, 3D speculative data and other costs of complying with Article 3.1.1 of the Contract.

2.2 DEVELOPMENT AND PRODUCTION COSTS

Development and Production Costs are all approved direct, general and administrative costs incurred during Development and Production activities, including, but not limited to, the following:

- (a) Wells defined as Development Wells for purposes of producing from a Commercial Field, whether such Wells turn out to be dry or productive by nature, and drilling Wells for the injection of water or gas to enhance Hydrocarbon recovery;
- (b) completing 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

Development Well or a Well for the injection of water or gas to enhance Hydrocarbon recovery;

- (c) transportation and installation of tank storage facilities, pipelines, flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms, export terminals and piers, harbors and related facilities, and access roads for development activities; and
- (d) engineering and design studies for facilities referred to under paragraph (c) above.

2.3 OPERATING OR PRODUCTION COSTS

Any and all general, administrative and service costs, and any other Petroleum Operations Costs incurred from the approval date of any relevant Development and Production Plan, and from the commencement of funding of the Reserve Fund.

2.4 COMMERCIALIZATION COSTS

Any and all costs incurred for exporting Hydrocarbons to the Delivery Point.

2.5 ALLOCATION OF GENERAL AND ADMINISTRATIVE COSTS

With the exception of general and administration costs incurred in Equatorial Guinea directly assignable to the Annual Budget, the general and administration expenditures incurred by the Contractor outside of national territory with respect to Petroleum Operations shall be determined in accordance with the sliding scale set out below, based on total Petroleum Operations Costs actually incurred during the Year and duly justified by the Contractor and approved by the Ministry:

- (a) Prior to First Oil (commercial Production):

Up to \$5,000,000 Dollars	4%
Next \$10,000,000 Dollars	3%
Next \$15,000,000 Dollars	1.5%
Balance	0.5%

- (b) After First Oil (first commercial Production):

Up to \$5,000,000 Dollars	5%
Next \$10,000,000 Dollars	2%
Next \$15,000,000 Dollars	1.5%
Balance	1%

2.6 Except as provided otherwise in the Contract to the contrary, approved Petroleum Operation Costs described in Articles 2.1 to 2.5 of this Accounting Procedure, will be recoverable by the Contractor in accordance with Article 7.2 of the Contract.

2.7 INTEREST RECOVERY

Subject to and in accordance with the Hydrocarbons Law, any interest on loans obtained by the Contractor from Affiliated Companies or from Persons other than Affiliated Companies for investments in Petroleum Operations shall be recoverable and at a rate of interest not greater than LIBOR plus 3.5% as a Petroleum Operations Cost and shall be deductible for tax purposes, when estimating any Income Tax liabilities of the Contractor provided that the rate of interest and the terms of repayment have been approved by the Ministry in advance.

2.8 NON RECOVERABLE COSTS

Costs that are not recoverable as Petroleum Operations Costs shall include the following:

- (a) signature bonus paid by the Contractor;
- (b) any Discovery bonus paid by the Contractor;
- (c) any Production bonus paid by the Contractor;
- (d) annual surface rentals paid to the State;
- (e) interests on loans as provided by Article 2.7 of this Accounting Procedure;
- (f) any unapproved over-expenditures that exceed the limits of Article 4.4 of this Contract;
- (g) any payments made to the State for failure to fulfill the minimum Exploration work obligations pursuant to Article 3 of the Contract;
- (h) any fines and sanctions incurred for infringing the laws and regulations of Equatorial Guinea;
- (i) any donation to the State or other similar expenses unless otherwise agreed;
 - (i) the State's audit and inspection expenses incurred as a result of the absence of original documents in the Contractor's offices in Equatorial Guinea;
- (j) any sanction imposed on the Contractor under the Hydrocarbons Law or otherwise; and
- (k) costs related to the assignment from the Contractor to any of its Affiliates or other Persons.

2.9 INSURANCE AND CLAIMS

Petroleum Operations Costs shall include premiums paid for insurance required [and approved] in accordance with the Contract. All expenses incurred and paid by the Contractor in respect of any insurance claim, less any costs recovered by the Contractor by means of insurance claims, shall be included and recoverable as Petroleum Operations Costs, provided these expenses are not incurred as a consequence of their being not recoverable under a policy of insurance of the Contractor, in which case they shall not be recoverable, provided the Contractor has duly applied the corresponding 'withholding tax in accordance with the Tax Law.

2.10 INVENTORY ACCOUNTING

Any costs of articles bought for inventory will be recoverable as from the Calendar Year in which such materials and equipment have been used in the Petroleum Operations in the Contract Area.

ARTICLE 3
OTHER CLASSIFICATION OF COSTS AND EXPENDITURES

(Accounting Methods For Estimating Any Income Tax Liability)

During any Calendar Year in which commercial Production occurs, the Petroleum Operations Costs shall include the following:

3.1 CAPITAL COSTS

Any current Calendar Year capital costs shall be classified as Tangible (subject to depreciation) and Intangible.

3.1.1 TANGIBLE CAPITAL COSTS

Tangible Capital Costs are such costs that are not intangible capital costs incurred for the purchase of any assets related to the Petroleum Operations that normally have a useful life of more than one (1) Year; such assets shall be subject to annual depreciation pursuant to the provisions set forth in this Accounting Procedure. Tangible Capital Costs include the following:

- (a) for Development Wells: the costs of completion materials and equipment (downhole equipment, fixed production tubing, production packers, valves, wellhead equipment, subsoil elevation equipment, pumping rods, surface pumps, discharge cables, collection equipment, delivery lines, fixed Christmas tree and valves, oil and gas pipelines, fixed materials and equipment, piers, anchors, buoys, Hydrocarbon treatment facilities and equipment, secondary recovery systems, reinjection compressors, water pumps and their pipes);
- (b) for any purchase of goods and equipment: the actual cost of the asset (excluding transportation), the cost for construction of platforms outside of the Contract Area, the cost of power generators and facilities onshore;
- (c) for the purchase of moveable goods: automotive machinery (vehicles, tractors, tow trucks, tools, flatbeds, etc.), construction machinery and equipment (furniture, office equipment and other equipment);
- (d) for construction purposes: the building cost of housing and residential facilities, offices, warehouses, workshops, power plants, storage facilities and access roads for development activities, the cost of piers and anchors, treatment plants and machinery, secondary recovery systems, gas plants and steam systems; and
- (e) drilling and Production facilities and platforms.

With the exception of land purchased by the Contractor, all and any goods mentioned herein shall be depreciated in accordance with Article 3.2 of this Accounting Procedure.

3.1.2 INTANGIBLE CAPITAL COSTS

Intangible capital costs shall be such ongoing costs incurred for the purchase of moveable goods and services directly related to the Petroleum Operations and they shall not be depreciated, but shall be tax deductible as incurred. Such costs/expenses shall include the following:

- (a) costs of aerial magnetic, aerial gravimetric, topographic, geological, geophysical and geochemical surveys, interpreting and reinterpreting technical data costs, Exploration labor and similar costs;
- (b) costs of drilling Exploration Wells and Appraisal Wells: all costs of services rendered for drilling Exploration and Appraisal Wells, chemical products, rental costs (for helicopters, flatbeds, ships, tow barges, etc.) transportation, storage facilities, accommodation, technical services for mud control, Well geology, directional Well drilling, divers, mud control, well geology testing, cementing and similar costs;
- (c) costs of drilling Development Wells, such as rig and platform mobilization and demobilization, rig and platform drilling contracts and leases, platform and infrastructure installations labor, fuel, water, conductors, drill bits, drill pipe, equipment rental, production testing equipment, Christmas tree for production testing, mud and its components, chemical products, rental costs (for helicopters, flatbeds, ships, tow barges, etc.), transportation, storage facilities, accommodation, technical services for mud control, Well placement geology, directional drilling Wells, divers, production and appraisal tests, completion and supervision;
- (d) costs of acquisition or purchase of goods and services such as transportation costs, operation costs, equipment checks, costs of on-site installation, maintenance costs and fuel costs;
- (e) general services (electric logs, vertical seismic profile (VSP), mud control, core sampling, Well geology tests, cementing, production tests, supervision and similar costs), delineation services, any heavy engineering machinery leasing, and other expenses incurred abroad;
- (f) materials, reconstruction of access and other roads, and other intangible goods for construction, public services and construction support; and
- (g) other Exploration Costs, support or temporary facilities with a useful life of less than one (1) Year.

3.2 DEPRECIATION OF TANGIBLE CAPITAL COSTS

Depreciation will be estimated from the Calendar Year in which the asset is placed into service, with a full Year's depreciation allowed for the initial Calendar Year. For the purpose of estimating responsibility regarding Income Tax, depreciation shall be determined using a five (5) Year straight-line method.

3.3 NON-CAPITAL COSTS

Non-capital costs shall be classified as follows:

3.3.1 CONTRACTOR'S DEDUCTIBLE COSTS

For Income Tax purposes, the Contractor's deductible costs shall include the following:

- (a) general and administrative expenses (personnel salaries, insurance premiums, labor, technical office services and other similar services, material services, public relations, expenses abroad related with Petroleum Operations in Equatorial Guinea, determined in accordance with Article 2.5 of this Accounting Procedure);
- (b) Intangible Capital Costs;
- (c) labor, materials and services indirectly used in operations of Wells, feasibility studies for production of Crude Oil or Natural Gas fields, secondary recovery operations, storage operations, handling, transportation and delivery, Natural Gas Well operations, transportation and delivery of Natural Gas, services for Natural Gas treatment, environmental protection measures and any other maintenance activities indirectly related to Petroleum Operations.
- (d) Contributions to the Reserve Fund.

3.3.2 CONTRACTOR'S NON-DEDUCTIBLE COSTS

For Income Tax purposes, the following costs of the Contractor shall be non-deductible:

- (a) signature bonus paid by the Contractor;
- (b) any Discovery bonus paid by the Contractor;
- (c) any Production bonus paid by the Contractor;
- (d) annual surface rentals paid to the State;
- (e) any unapproved over-expenditures that exceed the limits of Article 4.4 of the Contract;
- (f) interest on loans as provided in Article 2.7 of this Accounting Procedure;
- (g) any payment made to the State for failure to fulfill the minimum Exploration work obligations pursuant to Article 3 of the Contract;
- (h) any fines and sanctions incurred for infringing the laws and regulations of Equatorial Guinea;
- (i) sums that exceed the set limits with regard to the depreciation of tangible assets;
- (j) any donation to the State and other similar expenses unless otherwise agreed;

- (k) the State's audit and inspection expenses incurred by the absence of original documents in the office of the Contractor in Equatorial Guinea;
- (l) any sanction imposed on the Contractor under the Hydrocarbons Law or otherwise; and
- (m) costs relating to the assignment from the Contractor to any of its Affiliates or other Persons.

ARTICLE 4
BASES OF INCOME TAX CALCULATION

4.1 PRACTICAL DETERMINATION OF THE TAXABLE BASE

In order to determine the taxable base and for the purposes of calculating the Contractor's responsibility regarding annual Income Tax liability, the following will be taken into account:

Taxable base = [(1)] – {[(2)+(3)+(4)]+[(5)+(6)+(7)+(8)]}.

- (1) Annual gross revenues
- (2) Royalties
- (3) State's share of net Hydrocarbons
- (4) State's right to a share of Production based on its carried or paid interest in the Contract
- (5) Deductible intangible capital costs
- (6) Depreciation of tangible capital costs
- (7) Deductible non-capital costs
- (8) Losses authorized and certified by the Ministry, corresponding to previous Calendar Years

4.2 PRINCIPLE OF TAX TREATMENT OF A FINANCIAL YEAR DEFICIT

In case of any deficit during a Calendar Year, such deficit will be regarded as relating to the following Calendar Year and deducted from the profit made during said Calendar Year; if such profit is not sufficient for the deduction to be made in full, the excess (certified by the Ministry) of the deficit will be successively carried over to the profits of the following Calendar Year in accordance with the Tax Laws.

ARTICLE 5
RECORDS AND VALUATION OF ASSETS

5.1 RECORDS

The Contractor shall keep correct, accurate and detailed records of all property used for Petroleum Operations under the Contract in accordance with generally accepted practice of the international petroleum industry.

5.2 INVENTORIES DURING INITIAL EXPLORATION OPERATIONS

Prior to the date of approval of the first Annual Work Program and Annual Budget submitted pursuant to Article 4 of the Contract, the Contractor shall prepare an initial annual schedule (to be included as part of the material statement required under Article 6 of this Accounting Procedure) of all property to be used for Petroleum Operations and its value as shown in the Contractor's books.

5.3 INVENTORIES IN SUBSEQUENT OPERATIONS

Subsequent to the date of approval of the Annual Work Program and Annual Budget pursuant to Article 4 of the Contract, inventories of property used in Petroleum Operations under the Contract shall be taken at regular intervals but at least once per Calendar Year.

The Contractor shall give the Ministry at least thirty (30) days prior notice of its intention to take such inventory and the Ministry shall have the right to be represented when such inventory is taken. The Contractor shall clearly state the principles upon which valuation of the inventory has been based and shall provide to the Ministry a full report on such inventory within sixty (60) days of the completion of the inventory.

ARTICLE 6
STATEMENTS AND REPORTS

6.1 FINANCIAL STATEMENTS AND TAX REPORTS TO BE SUBMITTED BY CONTRACTOR

The Contractor shall present detailed accounts showing all Petroleum Operations Costs incurred by the Contractor over the last Calendar Year. Such accounts must be submitted to the Ministry within ninety (90) days from the end of such Calendar Year and shall be certified by an independent auditor accepted by the Parties. Such period may be extended by an additional thirty (30) days at the Contractor's request and with the approval of the Ministry; such consent shall not be unreasonably delayed or withheld.

Income Tax returns shall be duly completed with enough detailed information as to allow a thorough understanding by the Tax Administration of Equatorial Guinea, including:

- (a) depreciation details;
- (b) fixed assets information;
- (c) Production and export statistics and details;
- (d) all tax related reports provided for in the Contract; and
- (e) detailed information on deductible expenses for estimating tax liabilities in accordance with the Tax Law.

6.2 PRODUCTION STATEMENT

Without prejudice to the rights and obligations of the Parties under the Contract, as from the initial date of commencement of commercial Production from the Contract Area, the Contractor shall submit a monthly Production statement to the Ministry showing the following information, which shall be separated by each Commercial Field as well as in aggregate for the Contract Area:

- (a) the quantity of Crude Oil produced and saved;
- (b) the quality characteristics of such Crude Oil produced and saved;
- (c) the quantity of Natural Gas produced and saved;
- (d) the quality characteristics of such Natural Gas produced and saved;
- (e) the quantities of Crude Oil and Natural Gas used for the purposes of carrying out drilling and Production operations;
- (f) the quantities of Crude Oil and Natural Gas unavoidably lost;
- (g) the quantities of Natural Gas flared and vented;

- (h) the size of Hydrocarbon stocks held at the beginning of the calendar month in question;
- (i) the size of any Hydrocarbon stocks held at the end of the calendar month in question;
- (j) the quantities of Natural Gas re-injected into the Hydrocarbon reservoir; and
- (k) the quantities of Hydrocarbons delivered and sold.

All quantities shown in such statement shall be expressed in both volumetric terms (barrels of Crude Oil [bbls] and cubic meters of Natural Gas [M³]) and in weight (metric tons [MT] and long tons [LT]).

The Production statement for each calendar month, and the technical report on each Well shall be submitted to the Ministry no later than a period of fifteen (15) days after the end of such calendar month.

6.3 VALUE OF PRODUCTION AND PRICING STATEMENT

For the purposes of Article 10 of the Contract, the Contractor shall prepare a Quarterly statement providing details of the value of Hydrocarbons produced, saved and sold during each Quarter.

The value of Production statement shall include the following information:

- (a) the quantities, prices and income received by the Contractor as a result of sales of Hydrocarbons to third parties during the Quarter in question;
- (b) the quantities, prices and income received by the Contractor as a result of sales of Hydrocarbons, other than sales to third parties, during the Quarter in question;
- (c) the value of any stocks of Hydrocarbons at the end of the Quarter preceding the Quarter in question;
- (d) the value of any stocks of Hydrocarbons at the end of the Quarter in question; and
- (e) the information available to the Contractor concerning the prices of competitive Crude Oils, insofar as required for the purposes of Article 10 of the Contract.

6.4 PETROLEUM OPERATIONS COSTS STATEMENT

6.4.1 Quarterly Statement

The Contractor shall prepare a Quarterly Petroleum Operations Costs statement showing those Petroleum Operations Costs incurred by the Contractor with respect to the Contract Area, as provided under this Accounting Procedure.

Any Development and Production Costs shall be separately identified for each Commercial Field, if such is the case, and the Contractor shall specify the basis of

allocation of shared costs. If the Ministry is not satisfied with the itemization shown within the categories, the Contractor shall provide a more detailed breakdown.

Any Exploration Costs shall be shown separately.

The Petroleum Operations Costs statement for each Quarter shall be submitted to the Ministry no later than a period of thirty (30) days after the end of each Quarter.

6.4.2 Annual Statement

The Contractor shall prepare an annual Petroleum Operations Costs Statement containing the following information for the purposes of Articles 9 and 16 of the Contract:

- (a) Petroleum Operations Costs not yet recovered and carried forward from the previous Calendar Year, if any;
- (b) Petroleum Operations Costs for the Calendar Year in question;
- (c) the quantity and value of Hydrocarbon Production taken by the Contractor as Cost Recovery Oil under the provisions of Article 7.2 of the Contract for the Calendar Year in question; and
- (d) Petroleum Operations Costs not yet recovered at the end of the Calendar Year in question.

The annual Petroleum Operations Costs Statement shall be submitted to the Ministry no later than a period of forty-five (45) days following the end of each Calendar Year.

6.5 PRODUCTION SHARING STATEMENT

Within sixty (60) days following the end of each Calendar Year, the Contractor shall submit to the Ministry with respect to such Calendar Year a Production sharing statement containing the following information for the purposes of Article 7 of the Contract:

- (a) the value of all sales of Hydrocarbons made by the Contractor as from the Effective Date of the Contract up to the end of the previous Calendar Year;
- (b) the value of all sales of Hydrocarbons made by the Contractor during the Calendar Year in question;
- (c) the total of (a) and (b) above at the end of the Calendar Year in question;
- (d) the accumulated Petroleum Operations Costs as from the Effective Date of the Contract up to the end of the previous Calendar Year;
- (e) the Petroleum Operations Costs for the Calendar Year in question;
- (f) the total of (d) and (e) above at the end of the Calendar Year in question;
- (g) quantity and value of the 'Contractor's share in Hydrocarbons; and

(h) quantity of State's share of Hydrocarbons and its value if sold by the Contractor.

6.6 ANNUAL END-OF-YEAR STATEMENT

No later than 31 March of each Calendar Year, the Contractor shall submit to the Ministry an end-of-year statement, and statement of accounts corresponding to the previous fiscal Year, and which shall contain the following information:

- (a) accounting conciliation of the expenses against the approved Annual Budget;
- (b) accounting conciliation of the expenses with the recoverable costs; and
- (c) accounting conciliation of the expenses with the deductible costs.

6.7 ANNUAL BUDGET STATEMENT

The Contractor shall submit to the Ministry an Annual Budget Statement pursuant to the provisions of Article 4 of the Contract. Such statement shall distinguish between budgeted Exploration Costs and Development and Production Costs by Quarter and shall correspond to the individual items of Petroleum Operations included in the Annual Work Program.

ANNEX D
PARENT COMPANY GUARANTEE

This Annex is an integral part of this Contract between the Republic of Equatorial Guinea and the Contractor.

THIS GUARANTEE is made on this *[insert day]* of *[insert month and year]*

BETWEEN:

- (1) **[THE GUARANTOR]**, a company organized and existing under the laws of *[insert jurisdiction]*, and having its registered office at *[insert address]* (the Guarantor); and
- (2) **THE REPUBLIC OF EQUATORIAL GUINEA** (the **State**), represented for the purposes of this Guarantee by the Ministry of Mines and Hydrocarbons (the **Ministry**).

WHEREAS, the Guarantor is the parent entity of *[insert name of Company]* organized and existing under the laws of *[insert jurisdiction]*, and having its registered office at *[insert address]* (the Company);

WHEREAS, the Company has entered into a production sharing contract (the **Contract**) with, among others, the State in respect of the Contract Area;

WHEREAS, the Company has a Participation Interest under the Contract;

WHEREAS, the State desires that the execution and performance of the Contract by the Company be guaranteed by the Guarantor and the Guarantor desires to furnish this Guarantee as an inducement to the State to enter into the Contract and in consideration of the rights and benefits inuring to the Company thereunder; and

WHEREAS, the Guarantor accepts that it fully understands and assumes the contractual obligations under the Contract of the Company.

NOW THEREFORE, it is hereby agreed as follows:

1. Definitions and Interpretation

All capitalized words and expressions in this Guarantee have the same meaning as in the Contract, unless otherwise specified to herein. Article 30 of the Contract is incorporated herein, *mutatis mutandis*, by this reference.

2. Scope of this Guarantee

The Guarantor hereby guarantees to the State the timely payment and performance of any and all indebtedness and obligations whatsoever of the Company to the State arising under or in relation to the Contract, including the payment of any amounts required to be paid by the Company to the State when the same become due and payable; provided, however, that the liability of the Guarantor to the State hereunder shall not exceed the lesser of:

- (a) the liabilities of the Company to the State;
- (b) [insert amount] Dollars (\$[insert amount]) during the Exploration Period, as may be extended in accordance with the Contract; and
- (c) [insert amount] Dollars (\$[insert amount]) during the Development and Production period.

3. Waiver of Notice, Agreement to All Modifications

The Guarantor hereby waives notice of the acceptance of this Guarantee and of the state of indebtedness of the Company at any time, and expressly agrees to any extensions, renewals, modifications or acceleration of sums due to the State under the Contract or any of the terms of the Contract, all without relieving the Guarantor of any liability under this Guarantee.

4. Absolute and Unconditional Guarantee

The obligations of the Guarantor shall be an absolute, unconditional and (except as provided in Article 2 above) unlimited guarantee of payment and performance to be performed strictly in accordance with the terms hereof, and without respect to such defences as might be available to the Company.

5. No Discharge of Guarantor

The obligations of the Guarantor hereunder shall not in any way be released or otherwise affected by: a release or surrender by the Company of any collateral or other security it may hold or hereafter acquire for payment of any obligation hereby guaranteed; by any change, exchange or alteration of such collateral or other security; by the taking of or the failure to take any action with respect thereto either against the Company or against the Guarantor; or by any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

6. No Prior Action Required

The State shall not be required to make demand for payment or performance first against the Company or any other Person or to proceed against any collateral or other security which might be held by the State or otherwise to take any action before resorting to the Guarantor hereunder.

7. Cumulative Rights

All rights, powers and remedies of the State hereunder shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to the State by law or otherwise.

8. Continuing Guarantee

This Guarantee is intended to be and shall be considered as a continuing guarantee of payment and performance and shall remain in full force and effect for so long as the

Contract and any amendments thereto shall remain outstanding or there shall exist any liability of the Company to the State thereunder.

9. Notice of Demand

Upon default in the performance of any of the obligations of the Company guaranteed hereunder, the State or its duly authorized attorney may give written notice to the Guarantor at its principle office in *[insert jurisdiction]* of the amount due, and the Guarantor, within a period of ten (10) Business Days, will make, or cause to be made, payment of such amount as notified, in Dollars, at such bank or other place in *[insert jurisdiction]* as the State shall designate and without set-off or reduction whatsoever of such payment in respect of any claim the Parent Company or the Company may then have or thereafter might have.

10. Assignment

The Guarantor shall not in any way effect, or cause or permit to be effected, the assignment or transfer of any of its obligations hereunder without the express written consent of the State.

11. Subrogation

Until all indebtedness hereby guaranteed has been paid in full, the Guarantor shall have no right of subrogation to any security, collateral or other rights which may be held by the State.

12. Payment of Expenses

The Guarantor shall pay to the State all reasonable costs and expenses, including attorney's fees, incurred by it in collecting or compromising any indebtedness of the Company hereby guaranteed or in enforcing the Contract or this Guarantee.

13. Governing Law and Arbitration

This Guarantee shall be governed by and interpreted in accordance with the laws of Equatorial Guinea.

All disputes or claims arising out of or relating to this Guarantee shall be finally settled by arbitration, in accordance with the procedure set forth in the Contract; however, if in addition to the arbitration hereunder an arbitration has also been commenced under the Contract with respect to obligations hereby guaranteed, the arbitration commenced hereunder shall be consolidated with the arbitration commenced under the Contract and the arbitral body appointed hereunder shall be the same arbitral body appointed pursuant to the Contract. The arbitration shall be conducted in the Spanish and English languages and the decision shall be final and binding on the parties.

14. Severability of Provisions

In the event that for any reason any provision hereof may prove illegal, unenforceable or invalid, the validity or enforceability of the remaining provisions hereof shall not be affected.

15. Confidentiality

The Guarantor agrees to treat this Guarantee and the Contract as confidential and shall not disclose, willingly or unwillingly, to any third party, except to the extent required by law, the terms and conditions hereof or thereof without the prior written consent of the State.

IN WITNESS WHEREOF, the Guarantor and the Company execute this Guarantee this *[insert day]* day of *[insert month and year]*,

[GUARANTOR]

By: _____
Title: _____

THE REPUBLIC OF EQUATORIAL GUINEA
THE MINISTRY OF MINES AND HYDROCARBONS

By: _____
Title: _____

PRODUCTION SHARING CONTRACT

BETWEEN

THE DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE

REPRESENTED BY

AGENCIA NACIONAL DO PETROLEO DE SAO TOME AND PRINCIPE

BP EXPLORATION (STP) LIMITED

AND

KOSMOS ENERGY SAO TOME AND PRINCIPE

FOR

BLOCK 10

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THIS PRODUCTION SHARING CONTRACT is made and entered into on this 9th day of March 2018 by and between:

(1) **THE DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE** represented by the **AGÊNCIA NACIONAL DO PETRÓLEO DE SÃO TOMÉ E PRÍNCIPE**;

and

(2) **BP EXPLORATION (STP) LIMITED**, a company organized and existing under the laws of England, whose registered office is at Chertsey Road, Sunbury-on-Thames, Middlesex TW16 7LN, United Kingdom, with a branch registered at *Guiché Único de São Tomé e Príncipe* under nº 8042/20180308 and offices located at Avenida da Independência no. 392, II/III, São Tomé – São Tomé e Príncipe, hereinafter referred to as “BP” and

(3) **KOSMOS ENERGY SAO TOME AND PRINCIPE**, a company organized and existing under the laws of Cayman Islands, whose registered office is at c/o Circumference (Cayman), P.O. Box 32322, 4th floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KY1, 1209 with a branch registered in Sao Tome and Principe with the *Guiché Único* under nº 5492/2016 at Condomínio da Praia Lagarto C.P. 987 Distrito de Agua Grande, São Tomé - São Tomé e Príncipe, hereinafter referred to as “Kosmos”

(BP and Kosmos are together the “**Contractor**”).

BACKGROUND:

(A) All Petroleum existing within the Territory of Sao Tome and Principe, as set forth in the Petroleum Law, are natural resources exclusively owned by the State.

(B) The Agência Nacional do Petróleo de São Tome e Príncipe, with the approval of the Government of Sao Tome and Principe, has the authority to enter into contracts for the conduct of Petroleum Operations in and throughout the area, whose co-ordinates are described and outlined on the map in Schedule 1 of this Contract, which area is hereinafter referred to as the Contract Area.

(C) The State wishes to promote Petroleum Operations in the Contract Area and the Contractor desires to join and assist the State in accelerating the exploration and exploitation of potential Petroleum resources within the Contract Area.

(D) The Contractor has the necessary financial capability and technical knowledge and ability to carry out the Petroleum Operations hereinafter described in accordance with this Contract, the Petroleum Law and Good Oil Field Practice.

(E) Pursuant to and in accordance with the Petroleum Law, this Contract has been entered into by and between the State and the Contractor for the purpose of Petroleum Operations in the Contract Area.

(F) BP is hereby designated as the Operator under Clause 28 of this Contract.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Except where the context otherwise indicates or as defined in the Petroleum Law and Petroleum Operations Regulation, the following words and expressions shall have the following meanings:

"**Accounting Procedures**" means the rules and procedures set forth in Schedule 2;

"**Affiliate**" means in respect of a Party, a Person that Controls, is Controlled by, or is under the common Control with, the Party or any such Person, as the case may be;

"**Allocation and Lifting Procedures**" means the allocation and lifting procedures set forth in Schedule 3 until a lifting agreement has been agreed between the Parties pursuant to Clause 9.2(j) after which references to the "Allocation and Lifting Procedures" shall be deemed to be references to such agreement;

"**Appraisal**" means the activities carried out after the discovery of a Petroleum deposit with the objective of defining the parameters of the deposit in order to determine its commerciality including, but not limited to, the following:

- (a) drilling of Appraisal Wells and running tests; and
- (b) running supplementary studies and acquisition, processing and interpretation of geophysical and other data;

"**Appraisal Well**" means any well whose purpose at the time of commencement of drilling such well is the determination of the extent or volume of Petroleum contained in a Discovery;

"**Associate**" means any Affiliate, subcontractor or other Person associated with a Contractor in the conduct of Petroleum Operations;

"**Associated Natural Gas**" means all Natural Gas produced from a Reservoir the predominant content of which is Crude Oil and which is separated from Crude Oil in accordance with generally accepted international petroleum industry practice, including free gas cap, but excluding any liquid Petroleum extracted from such gas either by normal field separation, dehydration or in a gas plant;

"**Available Crude Oil**" means the Crude Oil recovered from the Contract Area, less quantities used for Petroleum Operations;

"**Barrel**" means a quantity or unit of Crude Oil, equal to 158.9874 liters (forty-two (42) United States gallons) net of basic sediment and water at a temperature of fifteen point five six degrees (15.56°) Centigrade (sixty degrees (60°) Fahrenheit) at one (1) atmosphere of pressure;

"**Budget**" means the cost estimate of items included in an approved Work Program;

"**Calendar Year**" or "**Year**" means a period of twelve (12) months commencing from January 1 and ending the following December 31, according to the Gregorian calendar;

"**Commercial Discovery**" means any Discovery, which has been declared to be commercial by the Contractor;

"**Contract**" means this production sharing contract, including its Recitals and Schedules;

"**Contract Area**" means the geographic area within the Territory of Sao Tome and Principe which is the subject of this Contract and as described in Schedule 1, as such area may be amended in accordance with the terms herein;

"**Contractor's Intellectual Property Rights**" means any and all of Contractor's patents, patent applications, patent disclosures, inventions and improvements (whether patentable or not), copyrights and copyrightable works (including computer programs) and registrations and applications therefor any software, firmware, or source code, trade secrets, know-how, database rights, and all other forms of intellectual property created, as well as any other data and information developed or conceived by Contractor prior to the Effective Date, but specifically excludes the National Petroleum Agency's right to have legal title to and keep originals of all data and information resulting from Petroleum Operations including geological, geophysical, engineering, well logs, completion, production, operations, status reports and any other data and information as the Contractor may compile during the term of this Contract;

"**Cost Oil**" means the quantum of Available Crude Oil allocated to the Contractor for recovery of Operating Costs after the allocation of Royalty Oil to the State;

"**Control**" means, in relation to a Person, the power of another Person to secure:

- (a) by means of the holding of shares or the possession of voting power, directly or indirectly, in or in relation to the first Person; or
- (b) by virtue of any power conferred by the articles of association of, or any other document regulating, the first Person or any other Person,

so that the affairs of the first Person are conducted in accordance with the decisions or directions of that other Person;

"**Crude Oil**" means crude mineral oil and liquid hydrocarbons in their natural state or obtained from Natural Gas by condensation or extraction;

"**Decommissioning**" means to abandon, decommission, transfer, remove and/or dispose of structures, facilities, installations, equipment and other property and other works used in Petroleum Operations in the Contract Area, to clean the Contract Area and make it good and safe, and to protect the environment, as further set out herein, and in the Petroleum Law and other applicable laws and regulations;

"**Delivery Point**" means the point located within the jurisdiction of the State at which Petroleum reaches (i) the inlet flange at the FOB export vessel, (ii) the loading facility

metering station of a pipeline or (iii) such other point within the jurisdiction of the State as may be agreed between the Parties;

"Development" means activities carried out for a commercial discovery in order to achieve Production including, without limitation:

- (a) geological, geophysical and reservoir studies and surveys;
- (b) drilling of production and injection wells; and
- (c) design, construction, installation, connection and initial testing of equipment, pipelines, systems, facilities, machinery and related activities necessary to produce and operate said wells, to take, treat, handle, store, re-inject, transport and deliver Petroleum, and to undertake re-pressuring, recycling and other secondary and tertiary recovery projects;

"Development Area" means the extent of an area within the Contract Area capable of Production of Petroleum identified in a Commercial Discovery, and agreed upon by the National Petroleum Agency following such Commercial Discovery;

"Discovery" means any geological structure(s) in which, after testing, sampling and/or logging an Exploration Well, the existence of mobile hydrocarbons has been made probable and which structure(s) the Contractor deems worthy of evaluating further by conducting Appraisal operations;

"Effective Date" has the meaning ascribed to it in Clause 26.1;

"Exploration" means the set of operations carried out through the use of geological, geochemical and/or geophysical methods, with a view to locating Reservoirs, as well as the processing, analysis and interpretation of data so acquired as well as regional studies and mapping, in each case leaving an appraisal or better knowledge of the Petroleum potential of a given area and the drilling and testing of wells that may lead to the discovery of Petroleum;

"Exploration Period" has the meaning ascribed to it in Clause 4.1;

"Exploration Well" means a well on any geological structure(s), whose purpose at the time of commencement of such well is to explore for an accumulation of Petroleum whose existence at the time was unproven by drilling;

"Field Development Program" means the program of activities presented by the Contractor to the National Petroleum Agency for approval outlining the plans for the Development of a Commercial Discovery. Such activities include:

- (a) Reservoir, geological and geophysical studies and surveys;
- (b) drilling of production and injection wells; and
- (c) design, construction, installation, connection and initial testing of equipment, pipelines, systems, facilities, plants and related activities necessary to produce and operate said wells, to take, save, treat, handle, store, transport and deliver

Petroleum, and to undertake re-pressurizing, recycling and other secondary or tertiary recovery projects;

"**Force Majeure**" has the meaning ascribed to it in Clause 21;

"**Good Oil Field Practice**" means the standards, methods and practices generally used in good and prudent international offshore oil and gas field practice;

"**Government**" means the government of Sao Tome and Principe, as provided for in article 109 of the Constitution;

"**Gross Negligence**" or "**Willful Misconduct**" means any act or failure to act (whether sole, joint or concurrent) by a person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity;

"**LIBOR**" means the London interbank offered rate for six (6) month deposits denominated in United States dollars as published electronically by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate). The applicable rate for each month or part thereof within an applicable interest period shall be the interest rate published on the last business day of the immediately preceding calendar month. If no such rate is published during a period of five (5) consecutive business days, another rate chosen by mutual agreement between the National Petroleum Agency and the Contractor shall apply;

"**Minimum Financial Commitment**" has the meaning ascribed to it in Clause 7.3(a);

"**Minimum Work Obligations**" has the meaning ascribed to it in Clause 7.2;

"**National Petroleum Account**" means the account established in accordance with the Oil Revenue Law;

"**National Petroleum Agency**" or "**Agência Nacional do Petróleo**" means the State regulatory agency established by the Government Decree-Law 5/2004 of the 30th of June, which is responsible for the regulation and supervision of Petroleum Operations or any agency which succeeds the National Petroleum Agency with respect to some or all of its powers;

"**Natural Gas**" or "**Gas**" means all gaseous hydrocarbons and inerts, including wet mineral gas, dry mineral gas, gas produced in association with Crude Oil and residue gas remaining after the extraction of liquid hydrocarbons from wet gas, but not including Crude Oil;

"**Oil Revenue Law**" means the oil revenue law of the State, Law No. 8/2004 of the 30th of December, as amended, supplemented or replaced from time to time;

"**Operating Costs**" means expenditures incurred and obligations made as determined in accordance with Article 2 of the Accounting Procedures;

"Parties" or "Party" means the parties or a party to this Contract;

"Person" means any individual or legal entity, consortium, joint venture, partnership, trust, heir, unincorporated or incorporated organization, or government or any agency or local entity, whether national or foreign, Resident or Non-Resident (as defined in the Petroleum Taxation Law) of Sao Tome and Principe;

"Petroleum" means:

- (a) any naturally occurring hydrocarbon, whether in a gaseous, liquid or solid state;
- (b) any mixture of naturally occurring hydrocarbons, whether in a gaseous, liquid or solid state; or
- (c) any Petroleum (as defined above) that has been returned to a Reservoir;

"Petroleum Law" means the Fundamental Law on Petroleum Operations, Law no. 16/2009 of 31 December, 2009, as amended or supplemented from time to time, and regulations made and directions provided under such law;

"Petroleum Operations" means activities undertaken in the Contract Area for the purposes of:

- (a) the Exploration, Appraisal, Development, Production, transportation, sale or export of Petroleum;
- (b) the construction, installation or operation of any structures, facilities or installations for the Development, Production and export of Petroleum, or Decommissioning or removal of any such structure, facility or installation;

"Petroleum Operations Regulation" means the rules on petroleum operations published in the Official Journal, Supplement n° 28, dated 31st December 2010;

"Petroleum Taxation Law" means the Petroleum Taxation Law, Law no. 15/2009 of 31 December, 2009, as amended, supplemented or replaced from time to time;

"Proceeds" means the amount in United States dollars determined by multiplying the Realizable Price by the number of Barrels of Available Crude Oil lifted by a Party;

"Production" means the activities involved in the extraction of Petroleum including, without limitation, the running, servicing, maintenance and repair of completed wells, as well as of the equipment, pipelines, systems, facilities and plants completed during Development including all activities related to the planning, scheduling, controlling, measuring, testing, gathering, treating, storing and dispatching of Petroleum from the underlying Reservoir to the designated exporting or lifting locations and furthermore, the Decommissioning of wells, facilities, pipelines and Reservoirs and related activities;

"Production Period" has the meaning ascribed to it in Clause 4.6;

"**Profit Oil**" means the balance of Available Crude Oil after the allocation of Royalty Oil and Cost Oil;

"**Quarter**" means a period of three (3) consecutive Months starting with the first day of January, April, July or October of each Year;

"**Realizable Price**" means the price in United States dollars per Barrel determined in accordance with Clause 11;

"**Relinquished Area**" means that portion of the Contract Area that is relinquished pursuant to and in accordance with Clauses 5.1(d) and/or 6;

"**Reservoir**" means a porous and permeable underground formation containing an individual and separate natural accumulation of producible Petroleum that is confined by impermeable rock and/or water barriers and is characterized by a single natural pressure system;

"**Retained Area**" means that portion of the Contract Area that is retained after a relinquishment under Clauses 5.1(d) and/or 6;

"**Royalty**" or "**Royalty Oil**" means the quantum of Available Crude Oil allocated to the State, based on a percentage calculated as a function of daily production rates as set forth in Clause 10.1(a);

"**State**" means the Democratic Republic of Sao Tome and Principe;

"**State Entity**" means any entity or body which integrates the public administration's structure of the State or, in any other way, an entity in which the State has a full equity or full interest ownership designated by the State under Clause 8 of this Contract;

"**Tax**" means the tax payable pursuant to the Petroleum Taxation Law;

"**Unassociated Natural Gas**" or "**Unassociated Gas**" means that part of Natural Gas which is not Associated Natural Gas; and

"**Work Program**" means the work commitments itemizing the Petroleum Operations to be carried out in the Contract Area for the required period as defined in Clause 7.

- 1.2 Unless the context otherwise requires, reference to the singular shall include the plural and vice versa and reference to any gender shall include all genders.
- 1.3 The Schedules form an integral part of this Contract.
- 1.4 The table of contents and headings in this Contract are inserted for convenience only and shall not affect the meaning or construction of this Contract.
- 1.5 References in this Contract to the words "include", "including" and "other" shall be construed without limitation.
- 1.6 In the event of any inconsistency between the main body of this Contract and any Schedule, the provisions of the former shall prevail.

2. BONUSES AND SOCIAL PROJECTS

2.1 Signature Bonus

The Contractor shall pay to the State by deposit into the National Petroleum Account a signature bonus in the amount of US\$5,000,000 (five million United States dollars) within thirty (30) days after both the execution of this Contract and delivery to the Contractor of an instrument of ratification and in immediately available funds.

2.2 Production Bonuses

The Contractor shall pay to the State by deposit into the National Petroleum Account production bonuses based on attainment of cumulative Production of Petroleum from each Development Area as follows:

Cumulative Production (millions of Barrels or Barrels equivalent)	Bonus (US\$ million)
50	7.5
150	10
350	15
500	20

2.3 The production bonuses provided for in Clause 2.2 shall be payable to the State by deposit into the National Petroleum Account within thirty (30) days of such Production level being first attained in immediately available funds.

2.4 The signature and production bonuses provided for in this Clause 2 shall not be recoverable as Cost Oil or deductible for Tax purposes.

2.5 Social Projects

The Contractor commits to undertake social projects during the Exploration Period valued at US\$17,000,000 (seventeen million United States dollars), capped at US\$15,000,000 (fifteen million United States dollars) in the Exploration Phase I, US\$1,000,000 (one million United States dollars) in Exploration Phase II and US\$1,000,000 (one million United States dollars) in Exploration Phase III. If Petroleum is produced from the Contract Area, the Contractor shall undertake additional social projects according to the following schedule:

Cumulative Production (millions of Barrels or Barrels equivalent)	Value (US\$ million) of Project
20	2.5
40	5.0
60	7.5

- 2.6 The details of the social projects to be undertaken by the Contractor in accordance with Clause 2.5 shall be determined by agreement between the Contractor and the National Petroleum Agency. Failing such agreement, the Contractor and the National Petroleum Agency shall each submit a proposal to an expert appointed by the World Bank and such expert shall determine which of the two (2) proposals shall be implemented. The Contractor shall be solely responsible for any and all costs and expenses associated with the foregoing expert determination. The value of the projects provided for in Clause 2.5 above shall not be recoverable as Cost Oil or deductible for Tax purposes.
- 2.7 The Contractor shall be responsible for the implementation of all agreed or chosen social projects, which shall be undertaken using all reasonable skill and care.

3. SCOPE

- 3.1 This Contract is a production sharing contract awarded pursuant to the Petroleum Law and governed in accordance with the terms and provisions hereof. The conduct of Petroleum Operations and provision of financial and technical requirements by the Contractor under this Contract shall be with the prior approval of or in prior consultation with the National Petroleum Agency as required under this Contract or the Petroleum Law. The State hereby appoints and constitutes the Contractor as the exclusive company(ies) to conduct Petroleum Operations in the Contract Area.
- 3.2 During the term of this Contract the total Available Crude Oil shall be allocated to the Parties in accordance with the provisions of Clause 10, the Accounting Procedures and the Allocation and Lifting Procedures.
- 3.3 The Contractor together with its Affiliates shall provide all funds and bear all risk of Operating Costs and the sole risk in carrying out Petroleum Operations.
- 3.4 The Contractor shall engage in Petroleum Operations solely in accordance with the Petroleum Law, the Petroleum Taxation Law, Good Oil Field Practice and all other applicable laws and regulations.

4. TERM

- 4.1 Save as otherwise provided in Clause 4.6 and the extensions granted by the National Petroleum Agency, and subject to Clause 20, the term of this Contract shall be for a period of twenty-eight (28) years from the Effective Date, with an eight (8) year Exploration and Appraisal period, as extended pursuant to Clauses 5.1(b) and/or (c) (the "**Exploration Period**") and a twenty (20) year Production period, as extended pursuant to Clause 4.6.
- 4.2 The Exploration Period shall be divided as follows:

Phase I: four (4) years from the Effective Date;

Phase II: from the end of Phase I until two (2) years after the end of Phase I; and

Phase III: from the end of Phase II until two (2) years after the end of Phase II, as extended pursuant to Clauses 5.1(b) and/or (c).

- 4.3 The Contractor shall commence Petroleum Operations no later than thirty (30) days after the National Petroleum Agency has approved the first Work Program.
- 4.4 Provided the Contractor has fulfilled all of its obligations relative to the current phase of the Exploration Period as described in Clause 7.2, the Contractor may enter the next phase. The Contractor shall provide the National Petroleum Agency with written notice of its intention to enter the next phase of the Exploration Period at least sixty (60) days prior to the end of the relevant phase. The report shall document that the work commitments for the phase are fulfilled. The Ministry may, upon application, exempt Contractor from the work obligations.
- 4.5 Provided the Contractor has fulfilled all of its obligations relative to the current phase of the Exploration Period as described in Clause 7.2, the Contractor may terminate this Contract at the end of any phase during the Exploration Period in accordance with Clause 20.7.
- 4.6 The Contractor shall have the right to produce Petroleum from each Development Area for a period of twenty (20) years from the date of the first commercial Production in the relevant Development Area (the "**Production Period**"). This Contract will terminate with respect to the relevant Development Area at the end of such twenty (20) year period unless the National Petroleum Agency grants an extension on application of the Contractor. The Contractor may, for any Development Area, be granted one (1) or more five (5) year extension periods for a Development Area until all Petroleum has been economically depleted. In connection with any such extensions, the Parties agree to engage in good faith to re-negotiate the commercial terms of this Contract governing the applicable Development Area at least five (5) years prior to the expiration of the initial twenty (20) year period and at least two (2) years prior to the expiration of any subsequent extension period.

5. COMMERCIAL DISCOVERY AND DECLARATION OF COMMERCIALITY

- 5.1 The sequence of Petroleum Operations to establish a Commercial Discovery of Petroleum (other than Unassociated Natural Gas) shall be as follows:
- (a) the Contractor shall have a period of up to forty-five (45) days from the date on which the drilling of the applicable Exploration Well terminates to declare whether the Exploration Well has proven a Discovery;
 - (b) the Contractor shall then have a period of two (2) years (unless otherwise agreed by the National Petroleum Agency) from declaration of a Discovery to declare the Discovery, either on its own or in aggregation with other Discoveries, a

Commercial Discovery, which may be extended for one (1) year, subject to the approval of the National Petroleum Agency and observance of Clauses 2.5 (pro-rata per annum) and 14.7, if the results of those activities indicate that further Appraisal is necessary;

- (c) if the Contractor declares a Commercial Discovery it shall have a period of two (2) years (unless otherwise agreed by the National Petroleum Agency) from the time the Contractor declares a Discovery or aggregation of Discoveries to be a Commercial Discovery to submit a Field Development Program to the National Petroleum Agency for approval;
- (d) in the event a Discovery is not determined to be a Commercial Discovery, upon expiration of the period set out in Clause 5.1(b), the State may, provided it gives at least eighteen (18) months' notice, require the Contractor to promptly relinquish, without any compensation or indemnification whatsoever, the area encompassing the Discovery, including all of its rights to Petroleum which may be produced from such Discovery;
- (e) if a Field Development Program is approved by the National Petroleum Agency, the Contractor shall initiate field development and production according to the time schedule outlined in such Field Development Program.

5.2 Unassociated Natural Gas shall be developed in accordance with Clause 23.4.

6. RELINQUISHMENT OF AREAS

6.1 The Contractor must relinquish the Contract Area or part thereof in accordance with the following:

- (a) twenty-five percent (25%) of the initial surface area of the Contract Area shall be relinquished at the end of Phase I of the Exploration Period;
- (b) a further twenty-five percent (25%) of the initial surface area of the Contract Area shall be relinquished at the end of Phase II of the Exploration Period; and
- (c) the remainder of the Contract Area shall be relinquished at the end of Phase III of the Exploration Period less:
 - (i) any area which is the subject of an approved Appraisal program pursuant to Clause 5.1(b) or any Development Area;
 - (ii) areas for which the approval of a Field Development Program is pending, until finally decided; and
 - (iii) any area reserved for a possible Unassociated Natural Gas Appraisal in relation to which the Contractor is engaged in discussions with the State in accordance with Clause 23.4.

6.2 Any Retained Area and Relinquished Area shall be, as far as possible, single continuous units and delimited by meridians of longitude and parallels of latitude defined in the relevant coordinate reference system using degrees, minutes and seconds to the nearest whole minute to be approved by the National Petroleum Agency. In the case where the Retained Area or Relinquished Area is aligned with an international maritime boundary the international maritime boundary shall define the relevant edges of the Retained Area or Relinquished Area.

6.3 Any Relinquished Area shall revert to the State.

6.4 Subject to the Contractor's obligations under Clause 7 and its Decommissioning obligations, the Contractor may at any time notify the National Petroleum Agency upon three (3) months prior written notice that it relinquishes its rights over all or part of the Contract Area. In no event shall any voluntary relinquishment by the Contractor over all or any part of the Contract Area reduce the Minimum Work Obligations or Minimum Financial Commitment set out in Clause 7.

7. MINIMUM WORK PROGRAM AND BUDGET

7.1 Within two (2) months after the Effective Date and thereafter at least three (3) months prior to the beginning of each Calendar Year, the Contractor shall prepare and submit for the approval of the National Petroleum Agency, a Work Program and Budget for the Contract Area setting forth the Petroleum Operations which the Contractor proposes to carry out during the ensuing Year, or in case of the first Work Program and Budget, during the remainder of the current Year.

7.2 The minimum Work Program for each phase of the Exploration Period is as follows (the "**Minimum Work Obligations**"):

- (a) Phase I: The Contractor shall: acquire six thousand eight hundred (6,800) square kilometres (km²) 3D seismic.
- (b) Phase II: If the Contractor elects to enter Phase II, then during such Phase II of the Exploration Period the Contractor shall drill one (1) well into the Campanian/Santonian or to a total depth of five thousand, five hundred (5,500) meters sub-sea in the Contract Area.
- (c) Phase III: If the Contractor elects to enter Phase III of the Exploration Period, then during such Phase III the Contractor shall drill one (1) well.

7.3 Minimum Financial Commitments

- (a) The Contractor shall be obligated to incur the following minimum financial commitment (the "**Minimum Financial Commitment**"):

Phase I: US\$15,000,000 (fifteen million United States dollars)

Phase II: US\$30,000,000 (thirty million United States dollars)

Phase III: US\$30,000,000 (thirty million United States dollars)

- (b) If the Contractor fulfills the Minimum Work Obligations set forth in Clause 7.2 for each phase of the Exploration Period, then the Contractor shall be deemed to have satisfied the Minimum Financial Commitments for each such phase. If the Contractor fails to complete the Minimum Work Obligations for any phase of the Exploration Period and such commitment has not been moved to the next phase, if any, with the consent of the National Petroleum Agency, then the Contractor shall pay to the State by deposit into the National Petroleum Account (i) the difference between the Minimum Financial Commitment for the then current phase and the amount actually expended in Petroleum Operations for such phase and (ii) two percent 2% of the Minimum Financial Commitment for the subsequent phase that is not initiated, as liquidated damages in full and final settlement of all potential claims for breach of this Contract and, notwithstanding Clause 20, this Contract shall automatically terminate.

7.4 The Contractor shall be excused from any delay or failure to comply with the terms and conditions of Clauses 7.2 and/or 7.3:

- (a) during any period of Force Majeure; or
- (b) if the National Petroleum Agency or any other State authority denies the Contractor any required permissions to perform the Petroleum Operations which constitute Minimum Work Obligations.

7.5 The time for performing any incomplete Minimum Work Obligations for any phase of the Exploration Period and the term of this Contract shall be extended by the following periods in the circumstances set out in Clause 7.4:

- (a) with respect to Clause 7.4(a), for the period during which Force Majeure is in existence; and
- (b) with respect to Clause 7.4(b), for six (6) months to permit the Contractor time to make a revised drilling plan or other work which is satisfactory to the National Petroleum Agency.

7.6 If any circumstance described in Clauses 7.4 and 7.5 is not resolved within the time periods specified above, then after consultation with National Petroleum Agency, the Contractor shall be liable to pay into the National Petroleum Account an amount corresponding to the unfulfilled work for that phase and, notwithstanding Clause 20, this Contract shall automatically terminate.

7.7 Any unfulfilled Minimum Work Obligation in any phase of the Exploration Period may, with the written consent of the National Petroleum Agency, be added to the Minimum Work Obligation for the next succeeding phase.

7.8 Expenditures or work by the Contractor over and above the Minimum Work Obligations or Minimum Financial Commitment for any phase shall be credited against and reduce

the Minimum Work Obligations or Minimum Financial Commitments for the next succeeding phase.

7.9 For the purposes of determining whether an Exploration Well or an Appraisal Well has been drilled in accordance with the Minimum Work Obligations, such a well shall be deemed drilled if the minimum total depth has been reached or if any one of the following events occurs prior to reaching the minimum total depth:

- (a) a Discovery is made and further drilling may cause irreparable damage to such Discovery;
- (b) basement is encountered;
- (c) the National Petroleum Agency and the Contractor agree the well is drilled for the purpose of fulfilling the obligation to complete the Minimum Work Obligation; or
- (d) technical difficulties are encountered which, in the judgment of the Contractor and in accordance with Good Oil Field Practice, makes further drilling impracticable, uneconomic, unsafe or a danger to the environment.

7.10 The Exploration Period provided in Clause 4.2, may be extended for an additional six (6) months to conclude the drilling and testing of any well for which operations have been commenced by the end of Phase III of such period (as extended); provided that if no Commercial Discovery has been declared by the Contractor during the Exploration Period, as may be extended, this Contract shall automatically terminate.

7.11 **Performance Bond**

- (a) Within thirty (30) days from the Effective Date, the Contractor shall submit a performance bond in a form approved by the National Petroleum Agency and from a reputable international financial institution approved by the National Petroleum Agency to cover the Minimum Financial Commitment for Phase I of the Exploration Period.
- (b) Should the Contractor satisfy in full the conditions for continuing Petroleum Operations at the end of Phase I of the Exploration Period pursuant to Clause 7.2, a replacement performance bond in the same form and from a reputable international financial institution unless otherwise agreed by the National Petroleum Agency shall be submitted within thirty (30) days from the date of the extension to cover the Minimum Financial Commitment for Phase II of the Exploration Period.
- (c) Should the Contractor satisfy in full the conditions for continuing Petroleum Operations at the end of Phase II of the Exploration Period pursuant to Clause 7.2, a replacement performance bond in the same form and from a reputable international financial institution unless otherwise agreed by the National Petroleum Agency shall be submitted within thirty (30) days from the date of the

extension to cover the Minimum Financial Commitment for Phase III of the Exploration Period.

7.12 The amount of a performance bond shall be reduced annually by deducting the verified expenditures the Contractor has incurred in the previous year of each phase and shall terminate at the end of each phase, if the Minimum Work Obligations or Minimum Financial Commitment for that phase has been satisfied in full.

7.13 **Guarantee**

Within thirty (30) days from date of execution of this Contract, the Contractor shall submit a guarantee from a parent company approved by the National Petroleum Agency in the form of Schedule 6 which shall be valid up to four (4) years after the termination of this Contract. Wherever the Contractor is formed by more than one entity, each entity shall present a parent company guarantee approved by the National Petroleum Agency in an amount equal to its participating interest share of the amount set forth in Schedule 6. The National Petroleum Agency, or the other State Entity designated to participate in this Contract, is not subject to this obligation while its participation is a carried one, in which case the remaining parties to the Contract shall guarantee the amount which will be incumbent to the former, in the proportion of their participating interests in this Contract.

8. STATE PARTICIPATION AND CARRY

8.1 The State, either through the National Petroleum Agency or any other State Entity designated by the State, shall have as of the Effective Date a carried interest of fifteen percent (15%) of the Contractor's rights and obligations under this Contract. The Contractor shall fund, bear and pay all costs, expenses and amounts due in respect of Petroleum Operations conducted pursuant to this Contract.

8.2 The National Petroleum Agency or other State Entity designated by the State shall become a party to the Joint Operating Agreement in respect of its carried interest referred to in Clause 8.1.

8.3 Upon the commencement of commercial Production the Contractor shall be entitled to receive one hundred percent (100%) of Cost Oil in order to recover all costs, expenses and amounts paid in respect of Petroleum Operations pursuant to Clause 8.1 and incurred on behalf of the National Petroleum Agency or other State Entity designated by the State.

8.4 The National Petroleum Agency or other State Entity designated by the State shall be entitled to receive fifteen percent (15%) of the Contractor's entitlement to Profit Oil as provided for in Clause 10.1(d).

8.5 The National Petroleum Agency or other State Entity designated by the State shall be entitled at any time, upon advance forty-five (45) days written notice to the Contractor, to convert its carried interest into a full working participating interest. The National

Petroleum Agency or other State Entity designated by the State shall be entitled to fifteen percent (15%) of the Cost Oil to which the Contractor is entitled pursuant to Clause 10.1 (b) and (c), after Contractor has recovered outstanding cost, expense or any other amount incurred by the Contractor pursuant to Clause 8.1.

9. RIGHTS AND OBLIGATIONS OF THE PARTIES

9.1 In accordance with this Contract, the National Petroleum Agency shall:

- (a) pursuant to Clause 14, jointly work with the Contractor's professional staff in the fulfillment of Petroleum Operations under this Contract;
- (b) assist and expedite the Contractor's execution of Petroleum Operations and Work Programs including assistance in supplying or otherwise making available all necessary visas, work permits, rights of way and easements as may be reasonably requested by the Contractor. All expenses incurred by the National Petroleum Agency at the Contractor's request in providing such assistance shall be reimbursed to the National Petroleum Agency by the Contractor in accordance with Clause 12. Such reimbursement shall be made against presentation of invoices and shall be in United States dollars. The Contractor shall include such reimbursements in the Operating Costs;
- (c) have the right to recover from the Contractor all costs which are reasonably incurred for purposes of Petroleum Operations, duly documented and previously agreed with Contractor;
- (d) have legal title to and shall keep originals of all data and information resulting from Petroleum Operations including geological, geophysical, engineering, well logs, completion, production, operations, status reports and any other data and information as the Contractor may compile during the term of this Contract but excluding any Contractor's Intellectual Property Rights; provided, however, that the Contractor shall be entitled to keep copies and use such data and information during the term of this Contract; and
- (e) not exercise all or any of its rights or authority over the Contract Area in derogation of the rights of the Contractor otherwise than in accordance with the Petroleum Law.

9.2 In accordance with this Contract, the Contractor shall:

- (a) promptly pay to the State by deposit into the National Petroleum Account all fees, bonuses, and other amounts due to the State under the terms of this Contract;
- (b) provide all necessary funds for the payment of Operating Costs including funds required to provide all materials, equipment, facilities, supplies and technical requirements (including personnel) whether purchased or leased;

- (c) provide such other funds for the performance of Work Programs including payments to third parties who perform services to the Contractor in the conduct of Petroleum Operations;
- (d) prepare Work Programs and Budgets and carry out approved Work Programs in accordance with Good Oil Field Practice with the objective of avoiding waste and obtaining maximum ultimate recovery of Petroleum at a minimum cost;
- (e) exercise all the rights and comply with all the obligations under the Petroleum Law and any other applicable laws and pay the following fees to the State by deposit into the National Petroleum Account (all expressed in United States dollars):

On application for the Production Period:	\$500,000
To assign or otherwise transfer any interest during Exploration Period	\$100,000
To assign or otherwise transfer any interest during Production Period	\$300,000
On application to terminate this Contract:	\$100,000
On application for the Contractor to commence drilling:	\$25,000

- (f) ensure that all leased equipment brought into the Territory of Sao Tome and Principe for the conduct of Petroleum Operations is treated in accordance with the terms of the applicable leases;
- (g) have the right of ingress to and egress from the Contract Area and to and from facilities therein located at all times during the term of this Contract;
- (h) promptly submit to the National Petroleum Agency for permanent custody originals of all geological, geophysical, drilling, well production, operating and other data, information and reports as it or its Associates may compile during the term of this Contract;
- (i) prepare estimated and final tax returns and submit same to the relevant tax authority on a timely basis in accordance with the Petroleum Taxation Law;
- (j) have the right to lift Available Crude Oil in accordance with the lifting agreement to be agreed by the Parties pursuant to Schedule 3 no later than nine (9) months prior to commencement of Production, and, in the event the Parties have not agreed a lifting agreement by the commencement of Production then, in accordance with the principles set forth in Schedule 3. Contractor shall have the right to freely export Available Crude Oil allocated to it under this Contract exempt from all and any customs duties, levies or charges (excluding routine administrative fees associated with export documentation and inspection of such export, if applicable), and retain abroad the Proceeds from the sale of Available Crude Oil allocated to it under this Contract;

- (k) in accordance with Clause 14, prepare and carry out plans and programs of the State for industry training and education of nationals of Sao Tome and Principe for all job classifications with respect to Petroleum Operations pursuant to and in accordance with the Petroleum Law;
- (l) employ only such qualified personnel as is required to conduct Petroleum Operations in accordance with Good Oil Field Practice and in a prudent and cost-effective manner giving preference to qualified nationals of Sao Tome and Principe;
- (m) give preference to such goods, material and equipment which are available in Sao Tome and Principe or services that can be rendered by nationals of Sao Tome and Principe in accordance with the Petroleum Law and this Contract;
- (n) the Contractor and its Associates shall, as the case may be, pay all charges and fees as are imposed by law in Sao Tome and Principe. The Contractor and its Associates shall not be treated differently from any other Persons engaged in similar petroleum operations in the Territory of Sao Tome and Principe;
- (o) indemnify and hold the State, including the National Petroleum Agency, harmless against all losses, damages, injuries, expenses, actions of whatever kind and nature including all legal fees and expenses suffered by the State or the National Petroleum Agency where such loss, damage, injury, expense or action is caused by the Gross Negligence or Willful Misconduct of the Contractor, its Affiliates, its sub-contractors or any other Person acting on its or their behalf or any of their respective directors, officers, employees, agents or consultants;
- (p) not exercise all or any rights or authority over the Contract Area in derogation of the rights of the State or in breach of the Petroleum Law;
- (q) in the event of any emergency requiring immediate operational action, take all actions it deems proper or advisable to protect the interests of the Parties and any other affected Persons and any costs so incurred shall be included in the Operating Costs. Prompt notification of any such action taken by the Contractor and the estimated cost shall be given to the National Petroleum Agency within forty-eight (48) hours of becoming aware of the event; and
- (r) have, as of the date of execution of this agreement, the participating interests of:
 - BP – 50% (fifty percent);
 - Kosmos – 35% (thirty-five percent).

In accordance with Clause 8, the National Petroleum Agency has a participating interest of fifteen percent (15%).

10. RECOVERY OF OPERATING COSTS AND SHARING OF PETROLEUM PRODUCTION

10.1 The allocation of Available Crude Oil shall be calculated on a Contract Area basis for Royalty Oil, Cost Oil and Profit Oil. This allocation of Available Crude Oil shall be in accordance with the Accounting Procedures, the Allocation and Lifting Procedures and this Clause 10 as follows:

- (a) Royalty Oil shall be allocated to the State from the first day of Production, based on the daily total of Available Crude Oil from the Contract Area, set at a rate of 2%;
- (b) Cost Oil shall be allocated to the Contractor in such quantum as will generate an amount of Proceeds sufficient for recovery of Operating Costs in the Contract Area. All costs will be recovered in United States dollars through Cost Oil allocation;
- (c) Cost Oil shall be not more than eighty percent (80%) of Available Crude Oil in the Contract Area after deduction of Royalty Oil in any accounting period;
- (d) Profit Oil, being the balance of Available Crude Oil after deducting Royalty Oil and Cost Oil shall be allocated to each Party based on the pre-tax, nominal rate of return calculated on a quarterly basis for the Contract Area in accordance with the following sliding scale:

Contractor's Rate of Return for Contract Area (% per annum)	Government Share of Profit Oil	Contractor Share of Profit Oil
<19%	0%	100%
>=19 %< 22%	10%	90%
>=22%<26 %	20%	80%
>=26%<29%	40%	60%
>=29%	50%	50%

10.2 Beginning at the date of Commercial Discovery, Contractor's rate of return shall be determined at the end of each Quarter on the basis of the accumulated compounded net cash flow for the Contract Area, using the following procedure:

- (a) The Contractor's net cash flow for the Contract Area for each Quarter is:
 - (i) The sum of Contractor's Cost Oil and share of Contract Area Profit Oil regarding the Petroleum actually lifted in that Quarter at the Realizable Price;
 - (ii) Minus Operating Costs.

- (b) For this computation, neither any expenditure incurred prior to the date of Commercial Discovery for the Contract Area nor any Exploration Expenditure shall be included in the computation of the Contractor's net cash flow.
- (c) The Contractor's net cash flows for each Quarter are compounded and accumulated for the Contract Area from the date of the Commercial Discovery according to the following formula:

$$\text{ACNCF (Current Quarter)} = (100\% + \text{DQ}) \times \text{ACNCF (Previous Quarter)} + \text{NCF (Current Quarter)} 100\%$$

where:

ACNCF = accumulated compounded net cash flow

NCF = net cash flow

DQ = quarterly compound rate (in percent)

The calculation will be made using quarterly compound rates (in percent) of 4.44%, 5.09%, 5.95%, and 6.57%, which correspond to annual compound rates ("DA") of 19%, 22%, 26%, and 29%, respectively.

- (d) The Contractor's rate of return in any given Quarter for the Contract Area shall be deemed to be between the largest DA which yields a positive or zero ACNCF and the smallest DA which causes the ACNCF to be negative.
- (e) The sharing of Profit Oil from the Contract Area between the State and the Contractor in a given Quarter shall be in accordance with the scale in Clause 10.1(d) above using the Contractor's deemed rate of return as per paragraph (d) in the immediately preceding Quarter.
- (f) In the Contract Area, it is possible for the Contractor's deemed rate of return to decline as a result of negative cash flow in a Quarter with the consequence that Contractor's share of Profit Oil from the Contract Area would increase in the subsequent Quarter.
- (g) Pending finalization of accounts, Profit Oil from the Contract Area shall be shared on the basis of provisional estimates, if necessary, of deemed rate of return as approved by the National Petroleum Agency. Adjustments shall be effected with the procedure subsequently to be adopted by the National Petroleum Agency.

10.3 The quantum of Available Crude Oil to be allocated to each Party under this Contract shall be determined at the Delivery Point.

10.4 Each Party shall lift and dispose of its allocation of Available Crude Oil in accordance with the Allocation and Lifting Procedures. In the event of any reconciliation, the records of the National Petroleum Agency shall be the official, final and binding records.

- 10.5 Allocation of Royalty Oil and the State's Profit Oil shall be in the form of delivery of Production of Petroleum to the National Petroleum Agency and the National Petroleum Agency or other appropriate authority shall issue receipts for such delivery within thirty (30) days of lifting such Royalty Oil and Profit Oil. These receipts are issued by the National Petroleum Agency or other appropriate authority on behalf of the Government of Sao Tome and Principe.
- 10.6 Any Party may, at the request of any other Party, lift such other Party's Available Crude Oil pursuant to Clause 10.3 and the lifting Party within thirty (30) days from the end of the month in which the lifting occurred shall transfer to the account of the non-lifting Party the Proceeds of the sale to which the non-lifting Party is entitled. Overdue payments shall bear interest at the rate of LIBOR plus two percent (2%).
- 10.7 The State may sell to the Contractor all or any portion of its allocation of Available Crude Oil from the Contract Area under mutually agreed terms and conditions.
- 10.8 The Parties shall meet as and when agreed in the Allocation and Lifting Procedures to reconcile all Petroleum produced, allocated and lifted during the period in accordance with the Allocation and Lifting Procedures.
- 10.9 Notwithstanding the above, in lieu of lifting the State's Profit Oil and/or Royalty Oil, the State, upon one hundred eighty (180) days advance notice to the Operator issued by the National Petroleum Agency, may elect to receive the State's allocation of Profit Oil and/or Royalty Oil in cash based on the Realizable Price rather than through lifting regardless of whether or not the Contractor sells the State's Profit Oil and/or Royalty Oil to a third party. If the State elects to receive cash in lieu of lifting, the Operator shall lift the State's allocation of Profit Oil and/or Royalty Oil and pay into the National Petroleum Account cash in respect of such lifting within thirty (30) days from the end of the month in which the lifting occurred. Every one hundred eighty (180) days, the State may elect to have an entity designated by the State to resume lifting the State's allocation of Profit Oil and/or Royalty Oil upon one hundred eighty (180) days' notice to the Operator prior to the date the State elects to have an entity designated by the State to resume lifting.

11. VALUATION OF CRUDE OIL

- 11.1 Unless a pre-marketing plan is agreed, and save as otherwise provided in this Contract, Crude Oil shall be valued in accordance with the following procedures:
 - (a) On the attainment of commercial production of Crude Oil, each Party shall engage the services of an independent laboratory of good repute to undertake a qualitative and quantitative analysis of such Crude Oil.
 - (b) A trial marketing period shall be designated which shall extend for the first six (6) month period during which a new stream is lifted or for the period of time required for the first ten (10) liftings, whichever is longer. During the trial marketing period the Parties shall:

- (i) collect samples of the new Crude Oil upon which the qualitative and quantitative analysis shall be performed as provided in Clause 11.1(a);
 - (ii) determine the approximate quality of the new Crude Oil by estimating the yield values from refinery modeling;
 - (iii) market in accordance with their entitlement to the new Crude Oil and to the extent that one Party lifts the other Party's allocation of Available Crude Oil, payments therefor shall be made by the buyers to the Operator which will be responsible for distributing to the other Parties in accordance with their entitlement, and Cost Oil and Profit Oil and the Contractor's accounting shall reflect such revenues, in accordance with Clause 10;
 - (iv) provide information to a third party who shall compile the information and maintain all individual Party information confidential with regard to the marketing of the new Crude Oil including documents which verify the sales price and terms of each lifting; and
 - (v) apply the actual F.O.B. sales price to determine the value for each lifting which F.O.B. sales pricing for each lifting shall continue, as the Realizable Price, after the trial marketing period until the Parties agree to a valuation of the new Crude Oil but in no event longer than ninety (90) days after conclusion of the trial marketing period.
- (c) As soon as practicable but in any event not later than sixty (60) days after the end of the trial marketing period, the Parties shall meet to review the qualitative and quantitative analysis, yield and actual sales data. The Realizable Price shall be based on a single weighted average price for all Available Crude Oil in the month, based on the international FOB market price at the Delivery Point. It is the intent of the Parties that such price shall reflect the true market value based on arm's length transactions for the sale of the new Crude Oil to independent parties.
- (d) Upon the conclusion of the trial marketing period, the Parties shall be entitled to lift their allocation of Available Crude Oil pursuant to Clause 10.3 and the Allocation and Lifting Procedures.
- (e) When a new Crude Oil stream is produced from the Contract Area and is commingled with an existing Crude Oil produced which has an agreed Realizable Price basis then such basis shall be applied to the extent practicable for determining the Realizable Price of the new Crude Oil. The Parties shall meet and mutually agree on any appropriate modifications to such agreed Realizable Price, which may be required to reflect any change in the market value of the Crude Oils as a result of commingling.

11.2 If the National Petroleum Agency or the Contractor are unable to agree the valuation of Crude Oil produced in the Contract Area for a particular month, then such Party may propose its alternative valuation to the other Parties. The Parties shall then meet within thirty (30) days of such proposal and mutually agree on such valuation with or without

any appropriate modifications within thirty (30) days from such meeting, failing which the issue shall be referred to a mutually agreed independent expert who shall have the appropriate international oil and gas experience and who will resolve and settle the matter in a manner as he shall in his absolute discretion think fit and the decision of the expert shall be final and binding on the Parties. If after a period of thirty (30) days, the Parties are unable to agree on the identity of the expert, such expert shall be appointed by the International Centre for Expertise in accordance with the provisions for the appointment of experts under the Rules for Expertise of the International Chamber of Commerce.

11.3 Segregation of Crude Oils of different quality and/or grade shall, by agreement of the Parties, take into consideration, among other things, the operational practicality of segregation and the cost benefit analysis thereof. If the Parties agree on such segregation the following provisions shall apply:

- (a) any and all provisions of this Contract concerning valuation of Crude Oil shall separately apply to each segregated Crude Oil produced; and
- (b) each grade or quality of Crude Oil produced and segregated in a given year shall contribute its proportionate share to the total quantity designated in such year as Royalty Oil, Cost Oil and Profit Oil.

12. PAYMENTS

12.1 The Contractor shall make all payments to the State for which it is liable under this Contract in United States dollars or such other currency agreed between the Contractor and the National Petroleum Agency. Payments shall be made into the National Petroleum Account in accordance with the Oil Revenue Law. Where a payment is made in currency other than United States dollars, the exchange rate used to convert the United States dollars liability into that currency shall be the exchange rate published on the date of payment by the Central Bank of Sao Tome and Principe for Dobras, and the Financial Times of London for other currencies. Overdue payments shall bear interest at the annual rate of LIBOR plus two percent (2%) from the due date until the date of actual payment.

12.2 The State shall make all payments to the Contractor for which it is liable under this Contract in United States dollars or such other currency agreed between the Contractor and the National Petroleum Agency. Where a payment is made in a currency other than United States dollars, the exchange rate used to convert the United States dollar liability into that currency shall be the exchange rate published on the date of payment by the Central Bank of Sao Tome and Principe for Dobras, and the Financial Times of London for other currencies. Overdue payments shall bear interest at the annual rate of LIBOR plus two percent (2%) from the due date until the date of actual payment.

12.3 Any payments required to be made pursuant to this Contract shall be made within twenty (20) days following the end of the month in which the obligation to make such payments is incurred.

12.4 The Contractor shall have the right to pay their subcontractors and their expatriates, in currencies they have agreed, either in Sao Tome and Principe or abroad.

13. TITLE TO EQUIPMENT / DECOMMISSIONING

13.1 The Contractor shall finance the cost of purchasing or leasing all materials, equipment and facilities to be used in Petroleum Operations in the Contract Area pursuant to approved Work Programs and Budgets and such materials, equipment and facilities, if purchased, shall become the sole property of the State when the Contractor has recovered the cost of such materials, equipment and facilities (as the case may be) in accordance with this Contract and free of all liens and other encumbrances. Except as otherwise provided for in the Petroleum Law, the Contractor shall have the right to use, free of any additional charge, all of materials, equipment and facilities exclusively for Petroleum Operations in the Contract Area during the term of this Contract and any extensions thereof. The State, including the National Petroleum Agency, shall have the right to use all such materials, equipment and facilities in the Contract Area during the term of this Contract and any extensions thereof and such use shall be subject to terms and conditions agreed by the Parties, provided that it is understood that Petroleum Operations in the Contract Area hereunder shall take precedence over such use by the State or the National Petroleum Agency.

Should the State or the National Petroleum Agency desire to use such materials, equipment and facilities outside the Contract Area, such use shall be subject to terms and conditions agreed by the Parties, provided that it is understood that Petroleum Operations in the Contract Area hereunder shall take precedence over such use by the State or the National Petroleum Agency. The Contractor shall only lease materials, equipment and facilities with the approval of the National Petroleum Agency, such approval not to be unreasonably withheld.

13.2 The Contractor's right to use such cost recovered purchased materials, equipment and facilities shall cease with the termination or expiration (whichever is earlier) of this Contract, including any extensions hereof.

13.3 The provisions of Clause 13.1 with respect to the title of property passing to the State shall not apply to leased equipment belonging to local or foreign third parties, and such equipment may be freely exported from the Territory of Sao Tome and Principe in accordance with the terms of the applicable lease.

13.4 Subject to Clause 13.1, all fixed assets purchased or otherwise acquired by the Contractor for the purposes of Petroleum Operations hereunder shall become the property of the State when the Contractor has recovered the cost of such materials, equipment and facilities (as the case may be) in accordance with this Contract. Upon termination of this Contract, the Contractor shall hand over possession of such fixed assets to the State in good working order and free of all liens and other encumbrances.

13.5 During the term of this Contract, any agreed sales of equipment, land, fixed assets, materials and machinery acquired for the purpose of Petroleum Operations shall be

conducted by the Contractor on the basis of the procedure for sale of assets as set forth in Schedule 5, subject to the consent of the National Petroleum Agency.

13.6 Decommissioning

The expenditure for Decommissioning will be estimated on the basis of technical studies undertaken by the Contractor to be agreed by the National Petroleum Agency as part of each Field Development Program and revised as necessary.

13.7 Unless otherwise agreed with the National Petroleum Agency, the procedure for the Contractor providing funds to meet its Decommissioning obligations shall be as follows:

(a) an amount shall be established on a Contract Area basis, commencing with effect from the fourth (4th) anniversary after the start of commercial production, on a unit of production basis as follows:

$$DP = (PVDC - DF) * (P / RP), \text{ where:}$$

DP = Decommissioning provision for the period (millions of US dollars)

PVDC = Present Value of Decommissioning costs (millions of US dollars)

DF = Balance of Decommissioning fund at the start of the period (millions of US dollars)

P = Crude Oil production in the period (millions of Barrels)

RP = Estimated remaining recoverable Crude Oil (millions of Barrels) from the Contract Area

(b) All Decommissioning provisions shall be held in a Decommissioning reserve fund, which shall be an interest bearing escrow account jointly established by the Parties at a first class commercial bank or other financial institution in accordance with the Petroleum Law (the "Decommissioning Reserve Fund"). The bank or financial institution shall have a long term rating of not less than "A minus" by Standard and Poor's Corporation or an "A3" rating by Moody's Investor Service or a comparable rating by another mutually agreed rating service.

(c) For the purposes of calculating the present value of Decommissioning costs, the following formula shall be used:

$$PVDC = EDC / (1 + i)^n, \text{ where:}$$

PVDC = present value of Decommissioning costs

EDC = estimated value of Decommissioning costs in nominal terms at the expected date of Decommissioning

i = interest rate applicable to the escrow account in the current period

n = number of Years between current period and expected date of Decommissioning

- 13.8 The Decommissioning Reserve Fund shall be used solely for the purposes of paying for Decommissioning activities. No Party may mortgage, pledge, encumber or otherwise use such Decommissioning Reserve Fund for any purpose whatsoever except as expressly provided herein or in the Petroleum Law. The Decommissioning Reserve Fund may be invested in investments approved in advance by the Contractor and the National Petroleum Agency.
- 13.9 The Contractor shall annually meet any shortfall between the actual Decommissioning costs and the Decommissioning Reserve Fund for the Contract Area, such amount to be deposited into the escrow account within thirty (30) days after the end of each Calendar Year.
- 13.10 Any balance remaining in the Decommissioning Reserve Fund after all Decommissioning costs in the Contract Area have been met shall be distributed between the National Petroleum Agency and the Contractor in the same proportion as the allocation of Available Crude Oil at the time of Decommissioning operations.
- 13.11 Decommissioning expenditures incurred under these Decommissioning provisions are both cost recoverable as Contract Area non-capital costs under the Accounting Procedures and deductible for Tax purposes under the Petroleum Taxation Law.

14. EMPLOYMENT AND TRAINING OF NATIONALS OF THE STATE

- 14.1 Each Calendar Year, the Contractor shall submit a detailed program for recruitment and training for the following Calendar Year in respect of its personnel from Sao Tome and Principe in accordance with the Petroleum Law.
- 14.2 Qualified nationals from Sao Tome and Principe shall be employed in all non-specialized positions.
- 14.3 Qualified nationals from Sao Tome and Principe shall also be employed in specialized positions such as those in exploration, drilling, engineering, production, environmental safety, legal and finance. The Contractor shall have the right, subject to applicable laws, rules and regulations, to employ non-nationals of Sao Tome and Principe in such specialized positions where qualified individuals from Sao Tome and Principe are not available, provided that the Contractor shall recruit and train nationals from Sao Tome and Principe for such specialized positions, such that the number of expatriate staff shall be kept to a minimum.
- 14.4 Pursuant to Clause 9.2(k), qualified competent professionals of the National Petroleum Agency shall be assigned to work with the Contractor and such personnel and the Contractor's national personnel from Sao Tome and Principe shall not be treated differently with regard to salaries and other benefits. The Contractor and the National Petroleum Agency shall mutually agree on the numbers of National Petroleum Agency's staff to be assigned to Petroleum Operations. The costs and expenses of such National Petroleum Agency personnel shall be included in Operating Costs. The Contractor shall not be liable for any damages resulting from the Gross Negligence or Willful Misconduct of any National Petroleum Agency employees assigned to work for the Contractor.

- 14.5 The Parties shall mutually agree on the organizational chart of the Contractor which shall include nationals of Sao Tome and Principe in key positions.
- 14.6 No Sao-Tomean who is employed by the Contractor shall be dismissed without the prior written approval of the National Petroleum Agency, except in the case of a serious misbehavior on the part of such employee, in which case a prior notice of the dismissal to the National Petroleum Agency will be required. For the purposes of this clause, a serious misbehavior means serious inadequate conduct of the employee which corresponds to a violation of the employee's duties under the applicable Sao Tome and Principe labor legislation, which has been investigated and proved by documentary evidence.
- 14.7 The Contractor shall spend point twenty-five percent (0.25%) of the Operating Costs in each Year of the Exploration Period subject to a minimum of US\$250,000 (two hundred and fifty thousand United States dollars) and a maximum of US\$300,000 (three hundred thousand United States dollars) in any Calendar Year on scholarships for the training of nationals of Sao Tome and Principe at institutions to be selected by the National Petroleum Agency subject to compliance with the laws applicable to each Party and appropriate due diligence by the Parties. In connection with the review of the annual Work Program and Budgets, the National Petroleum Agency may propose additional budgets for training and the National Petroleum Agency and the Contractor shall mutually agree to such proposal.
- 14.8 The Contractor shall spend US\$500,000 (five hundred thousand United States Dollars) in each Calendar Year during the Production Period on scholarships for the training of nationals of Sao Tome and Principe at institutions to be selected by the National Petroleum Agency subject to compliance with the laws applicable to each Party and appropriate due diligence by the Parties. In connection with the review of the annual Work Program and Budgets, the National Petroleum Agency may propose additional budgets for training and the Parties may mutually agree to such proposal.
- 14.9 Amounts payable under Clauses 14.7 and 14.8 shall be recoverable as Contract Area non-drilling exploration costs under the terms of the Accounting Procedures.

15. BOOKS AND ACCOUNTS, AUDIT AND OVERHEAD CHARGES

15.1 Books and Accounts

- (a) The Contractor shall be responsible for keeping complete books of accounts consistent with Good Oil Field Practice and modern petroleum industry accounting practices and procedures. The books and accounts maintained under and in accordance with this Contract shall be kept in United States dollars. All other books of accounts as the Operator may consider necessary shall also be kept in United States dollars. Officials of the National Petroleum Agency and the

Contractor shall have access to such books and accounts at all times upon reasonable notice.

- (b) All original books of account shall be kept at the registered address or principal place of business of the Contractor in Sao Tome and Principe.

15.2 Audits

- (a) The National Petroleum Agency shall have the right to inspect and audit the accounting records relating to this Contract or Petroleum Operations for any Calendar Year by giving thirty (30) days advance written notice to the Operator. The Operator may request additional time. The Operator shall facilitate the work of such inspection and auditing; provided, however, that such inspection and auditing shall be carried out within three (3) Calendar Years following the end of the Calendar Year in question. If not, the books and accounts relating to such Calendar Year shall be deemed to be accepted by the Parties. Any exception must be made in writing within ninety (90) days following the end of such audit and failure to give such written notice within such time shall establish the correctness of the books and accounts by the Parties.
- (b) The National Petroleum Agency may undertake the inspection and audit in Clause 15.2(a) either through its own personnel or through a qualified firm of chartered accountants appointed for such purpose by the National Petroleum Agency; provided, that transportation and per diem, in accordance with Sao-Tomean legislation, are borne by the Contractor. The National Petroleum Agency's own personnel shall be borne by the Contractor as a general administrative cost, as long as these are reasonable and are duly documented and shall be cost recoverable. Costs for the qualified firm of chartered accountants shall be borne by the National Petroleum Agency.
- (c) Notwithstanding that the said period of three (3) Calendar Years may have expired, if the Contractor or any of its employees or any Person acting on its behalf has acted with Gross Negligence or engaged in Willful Misconduct, the National Petroleum Agency shall have the right to conduct further audit to the extent required to investigate such Gross Negligence or Willful Misconduct in respect of any earlier periods and all costs of such investigation shall be for the account of the Contractor and shall not be cost recoverable.

15.3 Materials

The Contractor shall maintain physical and accounting controls of all materials and equipment in stock in accordance with Good Oil Field Practice. The Contractor shall make a total inventory at least once in a Calendar Year and shall give the National Petroleum Agency four (4) weeks' advance written notice prior to the taking of such inventory. The National Petroleum Agency and/or its external auditors shall be entitled to observe such inventory taking. The National Petroleum Agency may also carry out a

partial or total check of such inventories at its own expense, whenever it considers it necessary, provided such exercise does not unreasonably disrupt Petroleum Operations.

15.4 Home Office Overhead Charges

The Contractor shall include the following percentages of total annual recoverable expenditures as overhead charges in calculating total Operating Costs.

Expenditure Tranche (USD million)	% of Recoverable expenditures
< 200	1.00%
the next 200 OR >200 and<400	0.75%
the next 100 OR >400 and<500	0.50%
≥ 500	0.00%

16. TAXES AND CUSTOMS

16.1 Tax

The Contractor shall be subject to Tax on income derived from Petroleum Operations in accordance with the Petroleum Taxation Law. Such Tax shall be payable by the Contractor in accordance with the Petroleum Taxation Law, except as otherwise provided in this Contract.

16.2 The Realizable Price established in accordance with Clause 11 shall be used in determining the amount of profits of a Contractor Party and its resulting Tax liability under the Petroleum Taxation Law.

16.3 Customs

In accordance with the Petroleum Law, the Contractor, in its own name or in the name of its sub-contractors or other Persons acting on its or their behalf, are entitled to import and export all goods, materials and equipment destined exclusively and directly for the execution of Petroleum Operations. Such goods, materials and equipment shall be exempt from all and any customs duties, notwithstanding the terms and conditions set out in the Petroleum Law or other applicable laws and regulations.

17. INSURANCE

17.1 The Contractor shall obtain and maintain such insurance as is customarily obtained in accordance with Good Oil Field Practice with respect to Petroleum Operations with an insurance company of good repute approved by the National Petroleum Agency, in the names of the Parties and with limits of liability not less than those required in accordance with Good Oil Field Practice. The premium for such policies shall be included in Operating Costs. All policies shall name the National Petroleum Agency as a co-insured

with a waiver of subrogation rights in favor of the Contractor. Without prejudice to the generality of the foregoing, such insurance may cover:

- (a) any loss or damage to all assets used in Petroleum Operations;
- (b) pollution caused in the course of Petroleum Operations for which the Contractor or the Operator may be held responsible;
- (c) property loss or damage or bodily injury suffered by any third party in the course of Petroleum Operations for which the Contractor, the Operator, the State or the National Petroleum Agency may be held liable;
- (d) the cost of removing wrecks and cleaning up operations following an accident in course of Petroleum Operations; and
- (e) the Contractor's and/or the Operator's liability to its employees and other persons engaged in Petroleum Operations.

17.2 In case of any loss or damage to property, all amounts paid by an insurance company shall be received by the Contractor for the conduct of Petroleum Operations. The Contractor shall determine whether the lost or damaged property should be repaired replaced or abandoned. If the decision is to repair or replace the property in question, the Contractor shall immediately take steps to replace or repair such lost or damaged property. Any excess cost of repair or replacement above the amount reimbursed by the insurance company shall be regarded as an Operating Cost. If the cost of repair is less than the amount reimbursed by the insurance company, the difference shall be deducted from Operating Costs. If the decision is to neither repair nor replace then the proceeds of any coverage shall be credited to Operating Costs. In the event that the loss or damage is attributable to the Contractor's Gross Negligence or Willful Misconduct, the excess cost of replacement or repair shall not be reimbursed as an Operating Cost.

17.3 The Contractor shall obtain and maintain an insurance policy covering damage caused to third parties as provided in Clause 17.1(c) as a direct or indirect result of Petroleum Operations under this Contract.

17.4 All insurance policies obtained and maintained pursuant to this Clause 17 shall be based upon Good Oil Field Practice and shall be taken out in Sao Tome and Principe, except for those concerning risks for which the Contractor cannot obtain local coverage with an insurance company holding a long term rating not inferior to A minus by Standard and Poor's Corporation or an A3 rating by Moody's Investor Service or an equivalent rating by any other mutually agreed rating service, in which case it shall be taken out outside of the Territory of Sao Tome and Principe.

17.5 In entering into contracts with any sub-contractor or other Person for the performance of Petroleum Operations, the Contractor shall require, whenever reasonably practicable, such sub-contractor or other Person to take out adequate insurance in accordance with this Clause 17 and to properly indemnify the State and its organs and agencies and the

Contractor for any damage done and to fully indemnify and hold the State and its organs and agencies and the Contractor harmless against claims from any third parties.

17.6 The Contractor shall also maintain all other insurance policies required under the laws of Sao Tome and Principe.

18. CONFIDENTIALITY AND PUBLIC ANNOUNCEMENTS

18.1 Subject to Clauses 18.4 and 18.5, the Contractor and the National Petroleum Agency shall keep information furnished to each other in connection with Petroleum Operations and all plans, maps, drawings, designs, data, scientific, technical and financial reports and other data and information of any kind or nature relating to Petroleum Operations including any discovery of Petroleum as strictly confidential and shall ensure that their entire or partial contents shall under no circumstances be disclosed in any announcement to the public or to any third party without the prior written consent of the other. With regard to data about aspects of geology, reservoir engineering or production engineering, reports or other material submitted to public authorities, the confidentiality obligations shall have the duration specified in Clause 18.3.

The provisions of this Clause 18 shall not apply to disclosure to:

- (a) Affiliates;
- (b) sub-contractors, auditors, financial consultants or legal advisers, provided that such disclosures are required for the effective performances of the aforementioned recipients' duties related to Petroleum Operations and provided further that they are under a similar undertaking of confidentiality as that contained in this Clause 18;
- (c) comply with statutory obligation or the requirements of any governmental agency or the rules of a stock exchange on which a Party's or its Affiliates' stock is publicly traded in which case the disclosing Party will notify the other Party of any information so disclosed prior to such disclosure;
- (d) financial institutions involved in the provision of finance for the Petroleum Operations hereunder provided, in all such cases, that the recipients of such data and information agree in writing to keep such data and information strictly confidential;
- (e) a bona fide third party purchaser provided that such third party executes an undertaking similar to the undertaking contained in this Clause 18 to keep the information disclosed to it strictly confidential; and
- (f) in accordance with and as required by the Oil Revenue Law.

18.2 The Parties shall take necessary measures in order to make their directors, officers, employees, agents and representatives comply with the same obligation of confidentiality provided for in this Clause 18.

- 18.3 The provisions of this Clause 18 shall terminate five (5) years after the termination or expiration of this Contract.
- 18.4 Subject to Clause 18.1(c), the Contractor shall use best endeavors to ensure that it, its Affiliates and Associates and each of their respective directors, officers, servants, employees and agents shall not make any reference in public or publish any notes in newspapers, periodicals or books nor divulge, by any other means whatsoever, any information on the activities under the Petroleum Operations, or any reports, data or any facts and documents that may come to their knowledge by virtue of this Contract, without the prior written consent of the National Petroleum Agency.
- 18.5 No announcement of a Discovery or Commercial Discovery may be made by the Contractor otherwise than in accordance with this Clause 18 and unless and until the Government has made a prior announcement of such Discovery or Commercial Discovery in the national and international media.

19. ASSIGNMENT

- 19.1 Subject to Clause 19.5, the Contractor may not sell, assign, transfer, encumber, convey or otherwise dispose of part or all of its rights, interest and/or obligations under this Contract to any third party without the prior written consent of the National Petroleum Agency.
- 19.2 All changes in Control of a Contractor Party shall be subject to the prior approval of the Government. Where a change in Control occurs without the prior approval of the Government, the Government may terminate this Contract in respect of such Contractor Party. This Clause 19.2 does not apply if the change of Control is the direct result of an acquisition of shares or other securities of a publicly traded company on a recognized stock exchange. Change of Control includes a Person ceasing to be Controlled (whether or not another Person becomes in Control), and a Person obtaining Control (whether or not another Person was in Control).
- 19.3 When an assignment, transfer or other disposition of any rights under this Contract, other than a transfer pursuant to Clause 19.5, is anticipated, the assigning Contractor Party must notify in writing the National Petroleum Agency as soon as practicable. The Government, acting through the National Petroleum Agency or other nominee, shall then have the right to purchase the assigning Contractor Party's interest under this Contract proposed to be assigned, transferred or otherwise disposed of on the same terms and conditions as those offered to a bona fide transferee provided that it gives notice to the Contractor Party of its decision to exercise such right within thirty (30) days of the Contractor Party's notice pursuant to the first sentence above. This right is in addition to any right of pre-emption granted under an applicable Joint Operating Agreement.
- 19.4 If the written consent by the National Petroleum Agency is granted, the assigning Contractor Party shall be relieved of its obligation and liabilities under this Contract to

the extent that the assignee or transferee accepts the assumption of such obligations and liabilities under this Contract.

19.5 The Contractor may sell, assign, transfer, convey or otherwise dispose of part or all of its rights and interest under this Contract to an Affiliate with a prior written notice to the National Petroleum Agency, provided that the relevant Contractor Party and the Affiliate shall remain jointly and severally liable for all obligations and liabilities under this Contract notwithstanding such assignment, transfer, conveyance or other disposal. If the Affiliate shall cease at any time to be an Affiliate of the transferring Contractor Party, the Affiliate shall immediately re-assign or re-transfer to the original Contractor Party all rights and obligations transferred to it under this Contract. Transfers of interests to an Affiliate of a Contractor Party shall not change the nationality of the Contractor Party for the purpose of determining jurisdiction of any arbitration tribunal.

19.6 Any request for consent pursuant to Clause 19.1 made by the Contractor to the National Petroleum Agency shall include the assignment agreement and other relevant information relating to financial and corporate standing of the assignee, and its capability to contribute to the Petroleum Operations under this Contract as required under the Petroleum Law.

20. TERMINATION

20.1 The State, by decision of the Government, shall be entitled to terminate this Contract with the Contractor (or in respect of any Party making up the Contractor) if any of the following events occur:

- (a) the Contractor defaults in the performance of any of its material obligations set forth in Clause 9;
- (b) the Contractor fails to execute the Minimum Work Obligations;
- (c) the Contractor assigns, transfers, conveys, encumbers or other disposes of its rights, interests and/or obligations under this Contract otherwise than in accordance with Clause 19 and/or the Petroleum Law;
- (d) the Contractor is adjudged insolvent or bankrupt by a court of competent jurisdiction or acknowledges or claims that it is unable to pay its debts or makes an application for bankruptcy protection that is not discharged within thirty (30) days;
- (e) the Contractor ceases to carry on its business as carried on at the date of this Contract or liquidates or terminates its corporate existence;
- (f) the warranties made by the Contractor under Clause 24 are found to have been untrue when made;
- (g) the Contractor fails to make any payment to the State when due;

- (h) the Contractor fails to submit the performance bond or guarantee when due;
 - (i) the Contractor fails to initiate field development and production in accordance to the time schedule outlined in the approved Field Development Program (Clause 5.1 (e)), except if that occurs for acceptable and duly demonstrated reasons; or if, after production of Petroleum is initiated in the Contract Area, production of Petroleum ceases for a period of more than four (4) months for causes which are not acceptable, not attributable to Force Majeure or without the consent of the National Petroleum Agency; and
 - (j) the events provided for in the articles 34, 35 or 36 of the Petroleum Law.
- 20.2 If the cause for termination is an event specified in Clause 20.1(a), (b), (f), (g), (h), (i) and/or (j) above, the National Petroleum Agency shall give written notice thereof to the Contractor requiring it to remedy such default within a period not more than thirty (30) days of receipt of the National Petroleum Agency's notice or such additional days as the National Petroleum Agency deems appropriate in the circumstances in its sole discretion. If upon the expiration of the said period such default has not been remedied or removed, the Government may, by written notice issued by the National Petroleum Agency to the Contractor, declare this Contract terminated.
- 20.3 Termination for any of the events specified in Clause 20.1(c), (d) and/or (e) above, shall be with immediate effect and the Government may, by written notice to the Contractor issued by the National Petroleum Agency, declare this Contract terminated. Termination as to one Contractor Party shall not constitute termination as to the other Contractor Party(ies).
- 20.4 Where this Contract is terminated with respect to only one Contractor Party, the State shall have the option to assume the interests, rights and obligations of such defaulting Contractor Party under this Contract. If the State elects not to exercise this option, the interests, rights and obligations shall be assigned to the remaining Contractor Parties who shall be liable jointly and severally.
- 20.5 In the event that any other Contractor Party(ies) fail to meet any and all liabilities of the terminated Contractor Party as provided in Clause 20.4, the State reserves the right to terminate this Contract, in respect of all other Contractor Parties upon written notice.
- 20.6 Without prejudice to all other rights of the State, the Contractor shall upon the termination of this Contract permit inspection, copying and auditing of its accounts and records for the Petroleum Operations by the National Petroleum Agency and/or its agents.
- 20.7 The Contractor shall have the right, at its sole discretion, to relinquish its rights and to terminate this Contract without further obligations or liabilities, upon completion of the stipulated Minimum Work Obligations and Minimum Financial Commitment at the end of any phase of the Exploration Period, upon giving a thirty (30) day advance notice to the National Petroleum Agency. This Clause 20.7 shall not release the Contractor from any unfulfilled obligations incurred prior to the termination of this Contract nor from

any liabilities arising from acts or omissions taking place prior to the termination of this Contract.

20.8 This Contract shall automatically terminate if no Commercial Discovery is made in the Contract Area at the end of Exploration Period, as extended.

21. FORCE MAJEURE

21.1 Any failure or delay on the part of any Party in the performance of its obligations or duties (other than the obligation to pay money) under this Contract shall be excused to the extent attributable to Force Majeure. A Force Majeure situation includes delays, defaults or inability to perform under this Contract due to any event beyond the reasonable control of the Party claiming Force Majeure. Such event may be, but is not limited to, any act, event, happening or occurrence due to natural causes and acts or perils of navigation, fire, hostilities, war (whether declared or undeclared), blockade, labor disturbances, strikes riots, insurrection, civil commotion, quarantine restrictions, epidemics, storms, floods, earthquakes, accidents, blowouts and lightning.

21.2 If Petroleum Operations are delayed, curtailed or prevented by an event of Force Majeure, then the time for carrying out the obligation and duties thereby affected, and rights and obligations hereunder, shall be extended for a period equal to the period of such delay.

21.3 The Party who is unable to perform its obligations as a result of the Force Majeure shall promptly notify the other Parties not later than five (5) days after the establishment of the commencement of the event of Force Majeure, stating the cause, and the Parties shall do all that is reasonably within their powers to remove such cause.

21.4 The Contractor's failure or inability to find Petroleum in commercial quantities for reasons other than as specified in Clause 21.1 shall not be deemed an event of Force Majeure.

22. LAWS AND REGULATIONS

22.1 This Contract shall be governed by and construed in accordance with the laws of the Democratic Republic of Sao Tome and Principe.

22.2 Subject to Clause 25.8 and to the principles of public international law, no term of this Contract shall prevent or limit the State from exercising its sovereign rights.

23. NATURAL GAS

23.1 If the Contractor discovers a commercially viable quantity of Natural Gas, the Contractor shall have the right to develop, commercialize, recover the costs and share in the profits of a development of such Natural Gas under this Contract on terms to be mutually agreed. Such terms when agreed shall become an integral part of this Contract.

- 23.2 Notwithstanding Clause 23.1, the Contractor may utilize, at no cost, Natural Gas required as fuel for Petroleum Operations such as gas recycling, gas injection, gas lift or any other Crude Oil enhancing recovery schemes, stimulation of wells necessary for maximum Crude Oil recovery in the field discovered and developed by the Contractor and such usage shall be with prior written consent of the National Petroleum Agency, which consent shall not be unreasonably withheld. This shall be included in a Field Development Program.
- 23.3 The attainment of recovery of Crude Oil through an efficient, economic and technically acceptable method shall always be paramount in all decisions regarding Associated Natural Gas. However, prior to the commencement of Production of Crude Oil from the Contract Area, the Contractor shall submit to the National Petroleum Agency, a program for the utilization of any Associated Natural Gas that has been discovered in the Contract Area, which shall be subject to the approval of the National Petroleum Agency.
- 23.4 If the Contractor discovers sufficient volumes of Unassociated Natural Gas that could justify commercial development, the Contractor shall immediately report the volume of potentially recoverable Natural Gas to the National Petroleum Agency and shall promptly investigate and submit proposals to the National Petroleum Agency for the commercial development of such Natural Gas taking in consideration local strategic needs as may be identified by the National Petroleum Agency, within two (2) years of the date of the relevant discovery. Any cost in respect of such proposals or investigation presented by the Contractor to the National Petroleum Agency shall be included in Operating Costs. The Contractor and the National Petroleum Agency will determine the plan and time needed, which shall be no more than five (5) years, unless otherwise agreed by the National Petroleum Agency, to progress a commercial development project, which shall include the terms for recovery of Operating Costs and sharing of Natural Gas production, which terms when agreed shall form an integral part of this Contract. If the Contractor fails to justify a commercial development within the agreed timeframe and if the National Petroleum Agency determines that a sufficient volume of Unassociated Natural Gas exists, the National Petroleum Agency shall have the right to propose to the Contractor a commercial development of such Natural Gas. The Contractor shall have the right to participate in the commercial development under terms pursuant to Clause 23.1. If the Contractor declines to participate in the commercial development of such Natural Gas as presented by the National Petroleum Agency and if the Field Development Program does not hinder or jeopardize current Petroleum Operations, the National Petroleum Agency may develop the Natural Gas in the manner presented to the Contractor.

24. REPRESENTATIONS AND WARRANTIES

- 24.1 In consideration of the State entering into this Contract, the Contractor hereby represents and warrants to the State as follows:

- (a) The Contractor has the power to enter into and perform this Contract and has taken all necessary action to execute, deliver and perform this Contract in accordance with the terms herein contained.
- (b) The execution, delivery and performance of this Contract by the Contractor will not contravene, any of the provisions of:
 - (i) any law or regulations or order of any governmental authority, agency or court applicable to or by which the Contractor may be bound; and
 - (ii) any mortgage, contract or other undertaking or instrument to which the Contractor is a party or which is binding upon it or any of its respective revenues or assets.
- (c) Full disclosure has been made to the National Petroleum Agency.
- (d) As of the Effective Date all facts in relation to the Contractor and its financial condition and affairs as are material and ought properly to be made known to the National Petroleum Agency and have been made so known in full.
- (e) The Contractor, together with its Affiliates, has sufficient funds both in foreign and local currencies to carry out Petroleum Operations under this Contract.
- (f) The representations and warranties set out in this Clause 24 shall remain in full force and effect for the duration of this Contract.

24.2 In consideration of the Contractor entering into this Contract, the State hereby represents and warrants to the Contractor as follows:

The State warrants the Contract Area that is the subject matter of this Contract is within the territorial jurisdiction of the Democratic Republic of Sao Tome and Principe.

25. CONCILIATION AND ARBITRATION

- 25.1 Should there be a difference or dispute between the Parties concerning the interpretation or performance of this Contract (a "**Dispute**") such that the Dispute cannot be resolved by mutual agreement, the Parties may refer the matter to an independent expert for an opinion to assist the Parties in reaching a mutual agreement.
- 25.2 Where an independent expert is used, the National Petroleum Agency and the Contractor shall furnish the expert with all written information which he may reasonably require. The cost of the services of the expert, if appointed, shall be shared equally between the National Petroleum Agency and each Contractor Party.
- 25.3 If the Dispute cannot be settled by amicable agreement or through an independent expert or if a Party does not agree to the use of an independent expert, then either the National Petroleum Agency or the Contractor may serve on the other a demand for arbitration in

accordance with this Clause 25. The procedures set forth in this Clause 25 shall be the exclusive procedures for arbitration of any and all Disputes arising under or involving the interpretation of this Contract. No other arbitration tribunal under any other procedure, agreement or international treaty shall have jurisdiction over such disputes between the Parties.

25.4 If the relevant Parties have not reached a mutual agreement after three (3) months of the date of a notice of a Dispute by one Party to another, unless the Parties to the Dispute mutually agree to an extension, any Party to the Dispute may refer the Dispute for resolution by final and binding arbitration to the International Centre for the Settlement of Investment Disputes (the "**Centre**" or "**ICSID**") established by the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington, March 18, 1965 (the "**ICSID Convention**"); to the Additional Facility of the Centre, if the Centre is not available; or in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), if neither the Centre nor the Additional Facility are available.

25.5 **Seat and Language of Arbitration**

The seat of the arbitration shall be Geneva, Switzerland. The languages of the arbitration proceedings, and of all orders, decisions, and the award, shall be Portuguese and English.

25.6 **Number and Identity of Arbitrators**

The arbitral tribunal shall be constituted by three (3) arbitrators selected according to the following procedure:

- (i) The claimant and the respondent shall, within thirty (30) days from the day on which a request for arbitration has been submitted, appoint an arbitrator each (and if there is more than one claimant or more than one (1) respondent, then the claimants and/or the respondents collectively shall each appoint a single arbitrator), by giving notice in writing of such appointment to the Secretary-General of ICSID and the other Party or Parties to the Dispute.
- (ii) If either the claimant or the respondent fails to comply with the time limit in the preceding paragraph, the Chairman of the Administrative Council of ICSID shall appoint the arbitrator or arbitrators that have not yet been appointed, at the request of either the claimant or the respondent and after consulting the claimant and the respondent as far as possible. The Chairman of the Administrative Council of ICSID shall give notice in writing of such appointment or appointments to the Secretary-General of ICSID and the claimant and the respondent.
- (iii) The two (2) arbitrators so appointed shall, within thirty (30) days of their appointment, agree upon the person to be appointed as the President of the tribunal, and give notice of such appointment to the Secretary-General of ICSID and the claimant and the respondent.

- (iv) If the two (2) arbitrators fail to agree upon the person to be the President of the tribunal, the Chairman of the Administrative Council of ICSID shall appoint the President, at the request of either the claimant or the respondent, and after consulting the claimant and the respondent as far as possible. The Chairman of the Administrative Council of ICSID shall give notice in writing of such appointment to the Secretary-General of ICSID and the claimant and the respondent.
- (v) None of the arbitrators shall be a citizen of the countries of any of the Parties to the Dispute (or in the case where the Party is a company or another entity, any country or countries of nationality of such Party, including the country of its ultimate parent).

25.7 Rules of Arbitration

The arbitration procedures initiated under this Contract shall operate under the arbitration rules in effect for ICSID, the Additional Facility or UNCITRAL, as the case may be, at the time of the filing of the request for arbitration, which rules are deemed to be incorporated herein by reference in this Clause 25.

25.8 Binding Nature of Arbitration

The arbitration award shall be final and binding on the Parties and shall be immediately enforceable, notwithstanding the remedies provided for in the ICSID Convention and Arbitration Rules, in the Arbitration Rules of the Additional Facility of the Centre, or in the UNCITRAL Arbitration Rules, as appropriate. The Parties waive any right to refer any question of law, and any right of appeal on the law and/or merits to any court. It is expressly agreed that the arbitrators shall have no authority to award aggravated, exemplary or punitive damages. The Parties acknowledge that the rights and obligations hereunder are imminently of a commercial nature. The Parties waive any defense grounded on sovereign immunity regarding the validity of this arbitration clause or any decision issued in the arbitration.

25.9 Costs of Arbitration

The costs of arbitration shall be charged in accordance with the directions of the arbitration tribunal, failing which they shall be borne equally by the Parties to the Dispute. The costs of the Parties comprising the Contactor shall not be recoverable.

25.10 Payment of Awards

Any monetary award issued shall be expressed and payable in United States dollars.

26. EFFECTIVE DATE

- 26.1 This Contract shall come into force on the date (the “Effective Date”) of the instrument of ratification executed by the Prime-Minister on behalf of the Government. Record of such ratification shall be annexed to this Contract as proof of the Effective Date.
- 26.2 Failure by the Contractor to meet its obligation to pay the signature bonus in accordance with the terms of Clause 2.1 shall mean that this Contract shall be null and void.

27. REVIEW / RE-NEGOTIATION OF CONTRACT AND FISCAL TERMS

- 27.1 The Parties agree that the commercial terms and conditions of this Contract have been negotiated and agreed having due regard to the existing fiscal terms in accordance with the provisions of the Petroleum Law and the Petroleum Taxation Law in force at the time of the Effective Date. If such fiscal terms are materially changed to the detriment of the Contractor, the Parties agree to review the terms and conditions of this Contract affected by such changes and to align such terms and conditions with the fiscal terms as at the Effective Date.
- 27.2 If at any time or from time to time, there is a change in legislation or regulations, or a change to the interpretation of such legislation or regulations, which materially affect the commercial benefit afforded to the Contractor under this Contract, the Parties will consult each other and shall agree to such amendments to this Contract as are necessary to restore as near as practicable such commercial benefits which existed under this Contract as of the Effective Date.
- 27.3 Where the parties cannot agree on new terms within one hundred and twenty (120) days of the Contractor’s request for review of the terms and conditions of the Contract affected by the changes, the matter may be submitted to arbitration pursuant to Clause 25.

28. OPERATOR

- 28.1 BP is hereby designated as the Operator under this Contract to execute, for and on behalf of the Contractor, all Petroleum Operations in the Contract Area pursuant to and in accordance with this Contract and the Petroleum Law.
- 28.2 The Operator, for and on behalf of the Contractor, shall have the exclusive control and administration of Petroleum Operations under this Contract. The Operator, for and on behalf of the Contractor, and within the limits defined by the National Petroleum Agency, this Contract and the Petroleum Law, shall have the authority to execute all contracts, incur expenses, make commitments, and implement other actions in connection with the Petroleum Operations.

29. CONFLICT OF INTERESTS

- 29.1 Each Party represents and warrants that it did not engage any person, firm or company as a commission agent for purposes of this Contract and that it has not given or offered to give nor will it give or offer to give to or to accept from (directly or indirectly) any person any bribe, gift, gratuity, commission or other thing of significant value, as an inducement or reward for doing or forbearing to do any action or take any decision in relation to this Contract, or for showing or forbearing to show favor or disfavor to any person in relation thereto.
- 29.2 The Contractor further represents and warrants that no loan, reward, offer, advantage or benefit of any kind has been given to any public official or any person for the benefit of such public official or person or third parties, as consideration for an act or omission by such public official in connection with the performance of such person's duties or functions or to induce such public official to use his or her position to influence any act or decisions of the Administration with respect to this Contract. Any breach of this representation shall cause this Contract to be declared invalid and voidable by the State Administration.

30. NOTICES

- 30.1 Any notice or other communication required to be given by a Party to another shall be in writing (in Portuguese and English) and shall be considered as duly delivered if given by hand delivery in person, by courier or by facsimile at the following addresses:

Agência Nacional do Petróleo de São Tomé e Príncipe (ANP-STP)
Avenida Nações Unidas, 225
C.P.1048
Sao Tome, Sao Tome and Principe

Attention: Executive Director
Fax: +239-226937

Tel: +239-226940

THE CONTRACTOR

BP Exploration (STP) Limited
Chertsey Road
Sunbury-on-Thames
Middlesex TW16 7LN
United Kingdom

Attention: Vice President, African New Ventures and General Manager, BP Exploration (STP) Limited

Kosmos Energy Sao Tome and Principe
c/o Circumference (Cayman)
P.O. Box 32322
4th floor, Century Yard
Cricket Square
Elgin Avenue
George Town
Grand Cayman, KY1, 1209

Attention: General Counsel
Fax: +1 214 445 9705

30.2 All notices and other communications shall be deemed to have been duly delivered upon actual receipt by the intended recipient.

30.3 Each Party shall notify the other promptly of any change in the above address.

31. LIABILITY

Where the Contractor is comprised of more than one Party, the liabilities and obligations of such Parties under this Contract shall be joint and several.

32. MISCELLANEOUS

32.1 No supplement or modification of any provision of this Contract shall be binding unless executed in writing by all Parties.

32.2 No waiver by any Party of any breach of a provision of this Contract shall be binding unless made expressly in writing. Any such waiver shall relate only to the breach to which it expressly relates and shall not apply to any subsequent or other breach.

32.3 The validity and effectiveness of this Contract shall be subject to the full compliance with all applicable administrative procedural rules relating to State contracting.

32.4 This Contract is prepared and filed in the Portuguese and English languages. In case of non-conformity, the Portuguese language version shall prevail.

32.5 This Contract shall be made public and a copy hereof shall be provided to the Public Registration and Information Office within ten (10) days from its execution.

IN WITNESS WHEREOF the Parties have caused this Contract to be executed the day and year first above written.

SIGNED AND DELIVERED for and on behalf of:

THE STATE represented by the
AGÊNCIA NACIONAL DO PETRÓLEO DE SÃO TOMÉ E PRÍNCIPE

By: /s/ Orlando Sousa Pontes

Name: Orlando Sousa Pontes

Designation: Executive Director

In the presence of:

Name: Alvaro Silva

Signature: /s/ Alvaro Silva

Designation: Legal and Economic Director

SIGNED AND DELIVERED for and on behalf of:

BP EXPLORATION (STP) LIMITED

By: /s/ I. J. Evans

Name: I. J. Evans

Designation: VP Africa New Ventures

In the presence of:

Name: P. D. Garforth-Bles

Signature: /s/ P. D. Garforth-Bles

Designation: Solicitor

SIGNED AND DELIVERED for and on behalf of:
KOSMOS ENERGY SAO TOME AND PRINCIPE

By: /s/ John W. Cappon

Name: John W. Cappon

Designation: VP and Country Manager

In the presence of:

Name: Alissa Eason

Signature: /s/ Alissa Eason

Designation: VP Legal

SCHEDULE 1

CONTRACT AREA

Block 10

Coordinate Reference System

The coordinate reference system (CRS) shall be defined as WGS 84 / UTM zone 32N (EPSG code 32632).

The Well Know Text (WKT) for WGS 84 / UTM zone 32N (EPSG code 32632) is as follows –

```
PROJCRS["WGS 84 / UTM zone 32N",  
BASEGEODCRS["WGS 84",  
DATUM["World Geodetic System 1984",  
ELLIPSOID["WGS 84",6378137,298.257223563,LENGTHUNIT["metre",1.0]]],  
CONVERSION["UTM zone 32N",  
METHOD["Transverse Mercator",ID["EPSG",9807]],  
PARAMETER["Latitude of natural origin",0,ANGLEUNIT["degree",0.01745329252]],  
PARAMETER["Longitude of natural origin",9,ANGLEUNIT["degree",0.01745329252]],  
PARAMETER["Scale factor at natural origin",0.9996,SCALEUNIT["unity",1.0]],  
PARAMETER["False easting",500000,LENGTHUNIT["metre",1.0]],  
PARAMETER["False northing",0,LENGTHUNIT["metre",1.0]]],  
CS[cartesian,2],  
AXIS["easting (E)",east,ORDER[1]],  
AXIS["northing (N)",north,ORDER[2]],  
LENGTHUNIT["metre",1.0],  
ID["EPSG",32632]]
```

Boundary Definition

The boundary turning/corner points shall be defined by geographic coordinates (latitude and longitude) in the defined CRS.

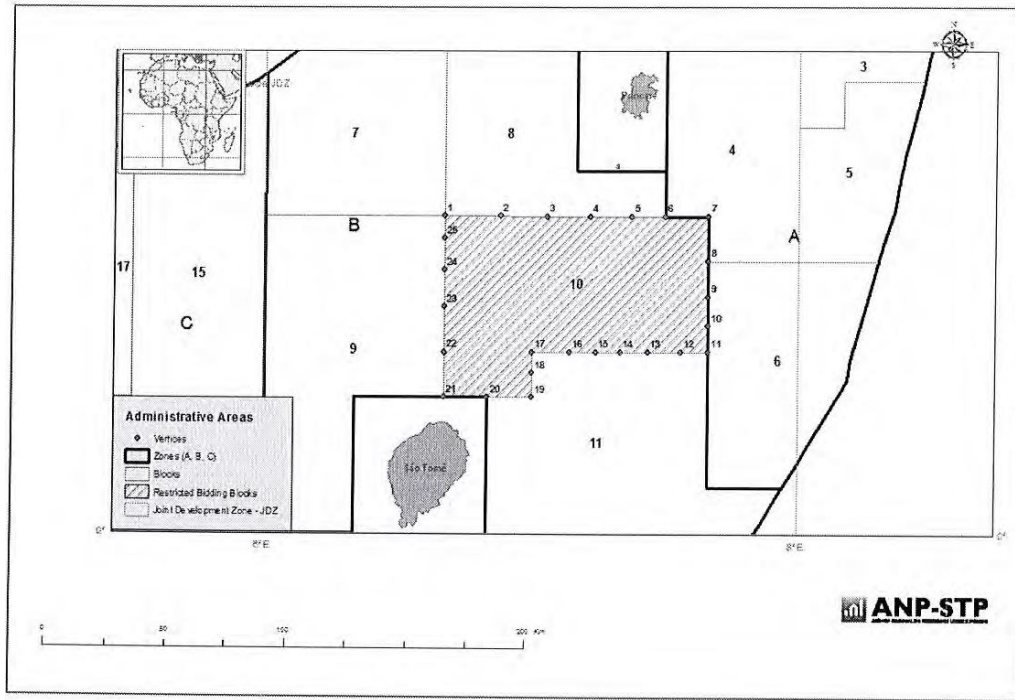
The lines between the turning/corner points shall be defined on the ellipsoid as a projected curve including parallels (line of equal latitude), meridians (line of equal longitude) and geodesic (shortest distance on the ellipsoid).

Boundary Turning/Corner Point Coordinates

Block 10						
WGS 84 / UTM zone 32N (EPSG code 32632)						
Point	DMS Latitude	DMS Longitude	DD Latitude	DD Longitude	Easting (X)	Northing (Y)
1	01° 10' 00.000"N	06° 40' 00.000"E	1.1666666667	6.6666666667	240,339.676	129,059.597
2	01° 10' 00.000"N	06° 52' 45.967"E	1.1666666667	6.8794352778	264,028.631	129,040.841
3	01° 10' 00.000"N	07° 03' 14.854"E	1.1666666667	7.0541261111	283,475.668	129,026.784
4	01° 10' 00.000"N	07° 13' 01.000"E	1.1666666667	7.2169444444	301,599.199	129,014.771
5	01° 10' 00.000"N	07° 22' 30.099"E	1.1666666667	7.3750275000	319,194.095	129,004.114
6	01° 10' 00.000"N	07° 30' 00.000"E	1.1666666667	7.5000000000	333,102.747	128,996.389
7	01° 10' 00.000"N	07° 40' 00.000"E	1.1666666667	7.6666666667	351,650.464	128,987.049
8	01° 00' 00.000"N	07° 40' 00.000"E	1.0000000000	7.6666666667	351,642.355	110,560.290
9	00° 52' 06.901"N	07° 40' 00.000"E	0.8685836111	7.6666666667	351,636.841	96,030.833
10	00° 45' 47.831"N	07° 40' 00.000"E	0.7632863889	7.6666666667	351,632.983	84,389.130
11	00° 40' 00.000"N	07° 40' 00.000"E	0.6666666667	7.6666666667	351,629.880	73,706.820
12	00° 40' 00.000"N	07° 33' 42.659"E	0.6666666667	7.5618497222	339,963.727	73,710.104
13	00° 40' 00.000"N	07° 26' 13.388"E	0.6666666667	7.4370522222	326,073.027	73,714.338
14	00° 40' 00.000"N	07° 20' 00.000"E	0.6666666667	7.3333333333	314,527.871	73,718.125
15	00° 40' 00.000"N	07° 14' 27.448"E	0.6666666667	7.2409577778	304,244.850	73,721.703
16	00° 40' 00.000"N	07° 08' 28.088"E	0.6666666667	7.1411355556	293,132.307	73,725.786
17	00° 40' 00.000"N	07° 00' 00.000"E	0.6666666667	7.0000000000	277,419.540	73,731.945
18	00° 35' 26.807"N	07° 00' 00.000"E	0.5907797222	7.0000000000	277,416.324	65,339.001
19	00° 30' 00.000"N	07° 00' 00.000"E	0.5000000000	7.0000000000	277,412.986	55,298.949
20	00° 30' 00.000"N	06° 50' 00.000"E	0.5000000000	6.8333333333	258,855.507	55,304.840
21	00° 30' 00.000"N	06° 40' 00.000"E	0.5000000000	6.6666666667	240,295.972	55,311.204
22	00° 40' 00.000"N	06° 40' 00.000"E	0.6666666667	6.6666666667	240,303.620	73,748.284
23	00° 50' 00.000"N	06° 40' 00.000"E	0.8333333333	6.6666666667	240,313.454	92,185.374
24	00° 58' 06.768"N	06° 40' 00.000"E	0.9685466667	6.6666666667	240,323.037	107,143.027
25	01° 05' 04.382"N	06° 40' 00.000"E	1.0845505556	6.6666666667	240,332.405	119,975.688
1	01° 10' 00.000"N	06° 40' 00.000"E	1.1666666667	6.6666666667	240,339.676	129,059.597

DMS – Degrees, Minutes and Seconds and DD – Decimal Degrees

Map (for purposes of illustration only)



SCHEDULE 2

ACCOUNTING PROCEDURES

1. GENERAL PROVISIONS

1.1 Definitions

These Accounting Procedures attached to and forming a part of the Contract are to be followed and observed in the performance of the Parties' obligations thereunder. The defined terms appearing herein shall have the same meaning as is ascribed to them in the Contract.

1.2 Accounts and Statements

The Contractor's accounting records and books shall be kept as provided under Clause 15 of the Contract in accordance with generally accepted and internationally recognized accounting standards, consistent with modern petroleum industry practices and procedures and in accordance with Good Oil Field Practice.

1.3 In the event of a conflict between the terms of these Accounting Procedures and the Contract, the terms of the Contract shall apply.

1.4 These Accounting Procedures may be amended from time to time by the mutual agreement of the Parties.

2. Operating Costs

2.1 Operating Costs shall be defined as all costs, expenses paid and obligations incurred in carrying out Petroleum Operations and shall consist of:

- (a) Contract Area Non-capital Costs;
- (b) Contract Area Capital Costs;
- (c) Contract Area Non-Drilling Exploration Costs; and
- (d) Contract Area Unsuccessful Exploration and Appraisal Costs.

Operating Costs shall be recorded separately for each Development Area and calculated on the basis of the Contract Area.

2.2 Contract Area Non-capital Costs

Contract Area Non-capital Costs means those Operating Costs incurred that are chargeable to the current year's operations. Contract Area Non-capital Costs include the following:

- (a) General office expenses - office, services and general administration services pertaining to Petroleum Operations including services of legal, financial, purchasing, insurance, accounting, computer, and personnel department; communications, transportation, rental of specialized equipment, scholarships, charitable contributions and educational awards.
- (b) Labor and related costs - salaries and wages, including bonuses, of employees of the Contractor who are directly engaged in the conduct of Petroleum Operations, whether temporarily or permanently assigned, irrespective of the location of such employee including the costs of employee benefits, customary allowance and personal expenses incurred under the Contractor's practice and policy, and amounts imposed by applicable governmental authorities which are applicable to such employees.

These costs and expenses shall include:

- (i) cost of established plans for employee group life insurance, hospitalization, pension, retirement, savings and other benefit plans;
 - (ii) cost of holidays, vacations, sickness and disability benefits;
 - (iii) cost of living, housing and other customary allowances;
 - (iv) reasonable personal expenses, which are reimbursable under the Contractor's standard personnel policies;
 - (v) obligations imposed by governmental authorities;
 - (vi) cost of transportation of employees, other than as provided in paragraph (c) below, as required in the conduct of Petroleum Operations; and
 - (vii) charges in respect of employees temporarily engaged in Petroleum Operations, which shall be calculated to reflect the actual costs thereto during the period or periods of such engagement.
- (c) Employee relocation costs - costs for relocation, transportation and transfer of employees of the Contractor engaged in Petroleum Operations including the cost of freight and passenger service of such employees' families and their personal and household effects together with meals, hotel and other expenditures related to such transfer incurred with respect to:

- (i) employees of the Contractor within Sao Tome and Principe including expatriate employees engaged in Petroleum Operations;
 - (ii) transfer to Sao Tome and Principe for engagement in Petroleum Operations;
 - (iii) relocation costs and other expenses incurred in the final repatriation or transfer of the Contractor's expatriate employees and families in the case of such employees' retirement, or separation from the Contractor, or in case of such employees' relocation to the Contractor's point of origin, provided that relocation costs incurred in moving an expatriate employee and his family beyond point of origin, established at the time of his transfer to Sao Tome and Principe, will not be recoverable as Operating Costs; and
 - (iv) Sao-Tomean employees on training assignments outside the Contract Area.
- (d) Services provided by third parties - cost of professional, technical, consultation, utilities and other services procured from third party sources pursuant to any contract or other arrangements between such third parties and the Contractor for the purpose of Petroleum Operations.
 - (e) Legal expenses - all costs or expenses of handling, investigating, asserting, defending and settling litigation or claims arising out of or relating to Petroleum Operations or necessary to protect or recover property used in Petroleum Operations including, but not limited to, legal fees, court costs, arbitration costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation, arbitration or claims in accordance with the provisions hereof.
 - (f) Head office overhead charge – parent company overhead in the amount specified in Clause 15.4 of the Contract.
 - (g) Insurance premiums and settlements - premiums paid for insurance normally required to be carried for the Petroleum Operations together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including fees and deductibles relating to the Contractor's performance under the Contract.
 - (h) Duties and taxes - all duties and taxes, fees and any Government assessments, including gas flare charges, license fees, custom duties, other than Royalty and Tax.
 - (i) Operating expenses - labor, materials and services used in day to day oil well operations, oil field production facilities operations, secondary recovery

operations, storage, transportation, delivering and marketing operations; and other operating activities, including repairs, well workovers, maintenance and related leasing or rental of all materials, equipment and supplies.

- (j) Successful Exploration drilling - all expenditures incurred in connection with the drilling of any Exploration Well which results in a Commercial Discovery.
- (k) Successful Appraisal drilling – all expenditures incurred in connection with the drilling of Appraisal Wells on a Commercial Discovery.
- (l) Unsuccessful Development drilling - all expenditures incurred in connection with drilling of development wells which are dry, including costs incurred in respect of casing, well cement and well fixtures.
- (m) Successful Development drilling - all intangible expenditures incurred in connection with labor, fuel, repairs, maintenance, hauling, and supplies and materials (not including, casing and other well fixtures) which are for or incidental to drilling, cleaning, deepening or completion wells or the preparation thereof incurred in respect of:
 - (i) determination of well locations, geological, geophysical, topographical and geographical surveys for site evaluation preparatory to drilling including the determination of near surface and near sea bed hazards;
 - (ii) cleaning, draining and leveling land, road-building and the laying of foundations;
 - (iii) drilling, shooting, testing and cleaning wells; and
 - (iv) erection of rigs and tankage assembly and installation of pipelines and other plant and equipment required in the preparation or drilling of wells producing Crude Oil.
- (n) Decommissioning provisions - any deposits in the Decommissioning Reserve Fund set aside for the purposes of Decommissioning pursuant to Clause 13 of the Contract.
- (o) Affiliate services – professional, administrative, scientific and technical services provided by Affiliates of the Contractor for the direct benefit of Petroleum Operations including services provided by the Exploration, Production, legal, financial, purchasing, insurance, accounting and computer services departments of such Affiliates. Charges for providing these services shall reflect costs only, and must be consistent with international market practices and shall not include any element of profit.

- (p) Pre-production Contract Area Non-capital Costs – all recoverable Contract Area Non-capital Costs incurred before first production from the Contract Area are accumulated and treated as if they had been incurred on the first day of production from the Contract Area.

2.3 Contract Area Capital Costs

Contract Area Capital Costs mean those Operating Costs incurred that are subject to depreciation. Contract Area Capital Costs includes the following:

- (a) Plant expenditures – expenditures in connection with the design, construction, and installation of plant facilities (including machinery, fixtures, and appurtenances) associated with the production, treating, and processing of Crude Oil (except such costs properly allocable to intangible drilling costs) including offshore platforms, secondary or enhanced recovery systems, gas injection, water disposal, expenditures for equipment, machinery and fixtures purchased to conduct Petroleum Operations such as office furniture and fixtures, office equipment, barges, floating crafts, automotive equipment, petroleum operational aircraft, construction equipment, miscellaneous equipment.
- (b) Pipeline and storage expenditure - expenditures in connection with the design, installation, and construction of pipeline, transportation, storage, and terminal facilities associated with Petroleum Operations including tanks, metering, and export lines.
- (c) Building expenditure - expenditures incurred in connection with the construction of buildings, structures or works of a permanent nature including workshops, warehouses, offices, roads, wharves, furniture and fixtures related to employee housing and recreational facilities and other tangible property incidental to construction.
- (d) Successful Development drilling - all tangible expenditures incurred in connection with drilling development wells such as casing, tubing, surface and sub-surface production equipment, flow lines and instruments.
- (e) Material inventory - cost of materials purchased and maintained as inventory items solely for Petroleum Operations subject to the following provisions:
 - (i) the Contractor shall supply or purchase any materials required for the Petroleum Operations, including those required in the foreseeable future. Inventory stock levels shall take account of the time necessary to provide the replacement, emergency needs and similar considerations;
 - (ii) materials purchased by the Contractor for use in the Petroleum Operations shall be valued so as to include invoice price (less prepayment discounts, cash discounts, and other discounts if any) plus freight and forwarding

charges between point of supply and point of destination but not included in the invoice price, inspection costs, insurance, custom fees and taxes, on imported materials required for the Contract;

- (iii) materials not available in Sao Tome and Principe supplied by the Contractor or from its Affiliates stocks shall be valued at the current competitive cost in the international market; and
 - (iv) the Contractor shall maintain physical and accounting controls of materials in stock in accordance with Good Oil Field Practice. The Contractor shall make a total inventory at least once a year to be observed by the National Petroleum Agency and its external auditors. The National Petroleum Agency may however carry out partial or total inventories at its own expense, whenever it considers necessary, provided such exercise does not unreasonably disrupt Petroleum Operations.
- (f) Pre-production Contract Area Capital Costs – all recoverable Contract Area Capital Costs incurred before first production from the Contract Area are accumulated and treated as if they had been incurred on the first day of production from the Contract Area.

2.4 **Contract Area Non-Drilling Exploration Costs**

Contract Area Non-Drilling Exploration Costs mean those Operating Costs incurred anywhere in the Contract Area on Exploration or related activity not directly connected with the drilling of an Exploration Well. Contract Area Non-Drilling Exploration Costs are chargeable to the current year's operations and may be added to the Operating Costs of the Contract Area. Contract Area Non-Drilling Exploration Costs include the following:

- (a) Geological and geophysical surveys - labor, materials and services used in aerial, geological, topographical, geophysical and seismic surveys incurred in connection with Exploration excluding however the purchase of data from the National Petroleum Agency.
- (b) Pre-Contract seismic costs – reasonable costs associated with the acquisition of seismic data covering the Contract Area, including third party processing but not interpretation of the data by the Contractor or its Affiliates, which were incurred prior to the Effective Date.
- (c) Annual scholarship payments as described under Clause 14 of the Contract.

2.5 Contract Area Unsuccessful Exploration and Appraisal Costs

Contract Area Unsuccessful Exploration and Appraisal Costs mean those Operating Costs incurred anywhere in the Contract Area in connection with the drilling of any Exploration Well or Appraisal Well in the Contract Area which does not result in a Commercial Discovery. Contract Area Unsuccessful Exploration and Appraisal Costs are subject to depreciation over a five (5) year period in equal installments of twenty percent (20%) per annum or the remaining life of the Contract Area whichever is less, commencing with production. Unsuccessful Exploration and Appraisal Costs in any period shall be allocated to the Operating Costs of the Contract Area, subject to the following restrictions:

- (a) to the extent that the Contract Area has Available Cost Oil after recovering the Operating Costs (other than Unsuccessful Exploration and Appraisal Costs) related to that Contract Area; and
- (b) if there is insufficient Available Cost Oil in the Contract Area in any period to fully recover Unsuccessful Exploration and Appraisal costs the unrecovered amount may be carried forward and included in the next period's Unsuccessful Exploration and Appraisal costs account.

2.6 Non-Recoverable Costs

The following costs are not recoverable as Operating Costs:

- (a) bonuses and expenditure incurred by the Contractor in carrying out any obligation to fund social projects as defined in Clause 2 of the Contract;
- (b) interest incurred under loans taken to finance Petroleum Operations from either inter-Affiliate loans or loans from third parties; and
- (c) costs incurred in excess of five percent (5%) above costs budgeted for in a Work Program and Budget, unless such costs are approved in advance by the National Petroleum Agency, which shall not be denied in cases where costs reflect fair market conditions or are technically supported.

3. Computation of Royalty and Tax

- 3.1 The Contractor shall compute the amount of Royalty and Tax payable to the State pursuant to and in accordance with the Contract. Such amounts shall be computed in the manner

set forth in the Petroleum Law, the Petroleum Taxation Law and the provisions hereof as stated in Article 4 of this Schedule 2.

3.2 The Contractor shall compute the Royalty to be paid to the State in a given month based on the Realizable Price of the Crude Oil produced during the second preceding month. Tax payments shall be calculated and remitted in accordance with the Petroleum Taxation Law.

4. Accounting Analyses

4.1 The Contractor and the National Petroleum Agency shall agree within three (3) months on a format for monthly accounting analysis reflecting the volumes lifted in terms of Royalty Oil, Cost Oil, and Profit Oil, and Proceeds received by each Party.

4.2 The Realizable Price and the quantities actually lifted by the Parties shall be used to compute the Proceeds as reflected in the agreed monthly accounting analysis format in Article 4.1 above and the allocation of such Proceeds in the categories described under Clause 10 of the Contract shall be reflected.

4.3 The allocation of the quantity of Available Crude Oil to each Party pursuant to Clause 10 of the Contract shall be according to and governed by provisions of the Allocation and Lifting Procedures.

4.4 The priority of allocation of the total Proceeds for each period shall be as follows:

- (a) Royalty Oil;
- (b) Cost Oil; and
- (c) Profit Oil.

4.5 The amount chargeable to and recoverable as Royalty Oil, and Cost Oil shall be determined as follows:

- (a) Royalty Oil - The sum of royalties payable during such month.
- (b) Cost Oil - The Operating Costs applicable to such month for the purposes of Cost Oil are as follows:
 - (i) Contract Area Non-Capital Costs shall be the amount recorded in the books and accounts of the Contractor for such month in accordance with these Accounting Procedures and shall be recoverable in full in the period incurred.
 - (ii) Contract Area Capital Costs shall be the amount recorded in the books and accounts of the Contractor for such month in accordance with these Accounting Procedures and shall be recoverable over the depreciation period as provided in Article 6.1 below or the remaining life of the Contract, whichever is less.

(iii) Contract Area Non-Drilling Exploration Costs shall be the amount recorded in the books and accounts of the Contractor for such month in accordance with these Accounting Procedures and shall be recoverable in full in the period incurred.

(iv) Contract Area Unsuccessful Exploration and Appraisal Costs shall be the amount recorded in the books and accounts of the Contractor for such month in accordance with these Accounting Procedures and shall be recoverable over the depreciation period of five (5) years in equal installments of twenty percent (20%) per annum or the remaining life of the Contract Area, whichever is less, commencing with production from the Contract Area which costs are allocated to the Contract Area in accordance with Article 2.5 of this Schedule 2.

(c) Any carryover from previous months as provided under Article 4.6 of this Schedule 2.

4.6 Any amounts chargeable and recoverable in excess of the allocation of Proceeds for the month to Royalty Oil and Cost Oil shall be carried forward to subsequent months. Carryovers shall be determined as follows:

(a) A Royalty Oil carryover results when the Proceeds for such month are insufficient for allocation of the Royalty Oil due for the month, as described in Clause 10 of the Contract.

(b) A Cost Oil carryover results when the Proceeds remaining, after allocating a portion of the Proceeds to Royalty Oil, are insufficient for allocation of Cost Oil due for the month, as described in Clause 10 of the Contract.

4.7 Profit Oil is available where Proceeds remain after allocations to Royalty Oil and Cost Oil pursuant to Articles 4.5 and 4.6 above. Profit Oil shall be allocated as described in Clause 10 of the Contract.

5. Other Provisions

5.1 The Contractor shall open and keep bank accounts in United States dollars where all funds remitted from abroad shall be deposited for the purpose of meeting local expenditures. For purposes of keeping the books of accounts, any foreign currency remitted by the Contractor shall be converted at the monthly exchange rates published on the date of payment by the Central Bank of Sao Tome and Principe for Dobras, and the Financial Times of London for other currencies. The Contractor shall have the right to convert any currency into United States dollars and transfer any funds irrespective of currency into or outside of Sao Tome and Principe, free of any tax imposed by the State. It is understood that commercial banks may apply routine charges or fees on such transactions.

5.2 The Contractor shall prepare financial accounting and budget statements in accordance with the National Petroleum Agency's prescribed reporting format.

5.3 With respect to any agreed sum arising out of the Contract owing between the Parties that is past due, any set-off pursuant to Clause 12 of the Contract shall be exercised by giving the other Party written notice thereof accompanied by sufficient description of the offsetting sums to allow the Parties to properly account thereof.

The Contractor shall report on the cumulative production in the Contract Area in a format to be agreed with the National Petroleum Agency.

6. Depreciation Schedule

6.1 Any Operating Costs, which are to be depreciated, shall be depreciated according to the following schedule:

Year	Depreciation Rate (%)
1	20%
2	20%
3	20%
4	20%
5	20%

SCHEDULE 3

ALLOCATION AND LIFTING PROCEDURES

1. If Crude Oil is to be produced from the Contract Area, the Parties shall, in good faith and not fewer than twelve (12) months before the commencement of Production, as promptly notified by the Operator, negotiate and agree the terms of a lifting agreement based on the 2001 version of the AIPN Model Lifting Agreement to cover the offtake of Available Crude Oil produced under the Contract. Consistent with the Field Development Program and subject to terms of the Contract, the lifting agreement shall make provision for:
 - i) The Delivery Point;
 - ii) Operator's regular periodic advice to the Parties of estimates of Available Crude Oil for succeeding periods, quantities of each type and/or grade of Crude Oil forecast to be produced consistent with the projected production schedule approved as part of the approved Work Program and each Party's entitlement for as far ahead as is necessary for Operator and the Parties to plan lifting arrangements, taking into account each such Party's entitlement at the beginning of, and scheduled liftings during, each period. Such advice shall also cover, for each type and/or grade of Crude Oil, the Available Crude Oil and deliveries for the preceding period, and overlifts and underlifts;
 - iii) Nomination by the Parties to Operator of acceptance of their entitlements for the succeeding period, with such nominations in any one period being for each Party's entire entitlement during that period, subject to overlifting limits, underlifting limits, operational tolerances and minimum economic cargo sizes or as the Parties may otherwise agree;
 - iv) Timely mitigation of the effects of overlifts and underlifts;
 - v) If offshore loading or a shore terminal for vessel loading is involved, vetting procedures relating to risks regarding tankers and procedures for demurrage and (if applicable) availability of berths;
 - vi) Procedures to make available to each Party its nominated quantities of each type and grade of Crude Oil, and to ensure that each Party takes delivery as it is made available in each period of its respective entitlement of grades, gravities and qualities of Crude Oil from the Contract Area;
 - vii) 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
 - viii) The right of the other Parties to sell an entitlement that a Party fails to nominate for acceptance under paragraph (iii) above or of which a Party fails to take delivery, in accordance with applicable agreed procedures, provided that such failure either breaches Operator's, or such Party's, obligations under the Contract, 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 Parties 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 applicable) and for reasonable periods of time (in

no event to exceed twelve (12) Calendar Months). Payment terms for production sold under this option shall be established in the lifting agreement.

2. If a lifting agreement has not been agreed before the commencement of Production, the Operator shall act as lifting coordinator and the Parties shall be obligated to take and separately dispose of their entitlement to such Crude Oil (taking overlifts and underlifts into account) and in addition shall be bound by the principles set forth in this Schedule 3 until a lifting agreement is agreed by the Parties.

SCHEDULE 4

PROCUREMENT AND PROJECT IMPLEMENTATION PROCEDURES

1. Application

- 1.1 These Procurement Procedures form part of the Contract and shall be followed and observed in the performance of a Party's obligations under the Contract.
- 1.2 These Procurement Procedures shall be applicable to all contracts and purchase orders whose values exceed the respective limits set forth in Article 1.5 below and which, pursuant thereto, require the prior approval of the National Petroleum Agency.
- 1.3 In the event of a conflict between the terms of these Procurement Procedures and the Contract, the terms of the Contract shall prevail.
- 1.4 These Procurement Procedures may be amended from time to time by the mutual agreement of the Parties.
- 1.5 The Contractor shall have the authority to enter into any contract or place any purchase order in its own name for the performance of services or the procurement of facilities, equipment, materials or supplies, provided that:
 - (a) prior approval of the National Petroleum Agency shall be obtained for all foreign contracts and foreign purchase orders awarded to third parties where the cost exceeds \$2,000,000 or in another currency equivalent during the Exploration Period and \$3,000,000 or in another currency equivalent during the Production Period;
 - (b) prior approval of the National Petroleum Agency shall be obtained for all local contracts and purchase orders where the cost exceeds \$1,000,000 or in other currency equivalent in utilization at the location of the contract or purchase;
 - (c) the amount set forth in paragraphs (a), (b) and (h) of this Article 1.5 will be reviewed by the Parties whenever it becomes apparent to a Party that such limits create unreasonable constraints on Petroleum Operations or are no longer appropriate. In the event of a significant change in the exchange rate of local currencies to United States dollars compared to that which existed on the Effective Date, the Parties shall review the limits set forth in paragraphs (a), (b) and (h) of this Article 1.5;
 - (d) such contracts shall be entered into and such purchase orders shall be placed with third parties, which in the Contractor's opinion are technically and financially able to properly perform their obligations;

- (e) procedures customary in the oil industry for securing best total value shall be utilized at all times;
- (f) the Contractor shall give preferences to sub-contractors that are companies organized under the laws of Sao Tome and Principe to the maximum extent possible and in accordance with the Petroleum Law;
- (g) the Contractor shall give preference to such goods which are manufactured or produced in Sao Tome and Principe or services rendered by nationals of Sao Tome and Principe in accordance with the Petroleum Law; and
- (h) the above limits and these procedures shall not apply to purchases made for warehouse replenishment stock not exceeding \$1,500,000 or in another currency equivalent nor shall they apply to the purchase of tubulars of less than \$1,500,000 or in another currency equivalent made in furtherance of planned drilling programs. Where there are United States dollars and other currency components of such purchases the total shall not exceed the equivalent of \$1,500,000.

2. Project Implementation Procedure

2.1 The Contractor, realizing the need for a project or contract to which these Procurement Procedures apply pursuant to Article 1.5, shall introduce it as part of the proposed Work Program and Budgets to be developed and submitted by the Contractor to the National Petroleum Agency pursuant to Clause 7 of the Contract.

- (a) The Contractor shall provide full information with respect to a project including the following:
 - (i) a clear definition of the necessity and objectives of the project;
 - (ii) the scope of the project; and
 - (iii) the cost estimate thereof.
- (b) The Contractor shall transmit the project proposal along with the relevant related documentation to the National Petroleum Agency for consideration.
- (c) The National Petroleum Agency shall consider the proposal and the recommendation of the Contractor and whether to proceed with the Contractor's proposal. If the National Petroleum Agency does not object to the project or any part thereof within thirty (30) days of the submission of the project, the project as proposed by the Contractor shall be deemed to have been approved.

2.2 The project as approved pursuant to Article 2.1 shall form part of the Work Program and Budget for Petroleum Operations. Such approval shall also constitute all authorizations by the National Petroleum Agency to the Contractor to initiate contracts and purchase

orders relevant to the project proposal, subject to the provisions of Articles 1.5 and 3 of this Schedule 4.

- 2.3 The resources for the project design, supervision, and management shall first be drawn from the Contractor's available in-house expertise. If the National Petroleum Agency approves the foregoing under the approved budget for the project it may be performed by the Contractor. Competent Sao-Tomean engineering and design companies shall be given priority over other third parties by the Contractor for such projects in accordance with the Petroleum Law. Staff of the National Petroleum Agency who shall be seconded pursuant to Clause 14 of the Contract shall be fully involved in the project design, supervision and management.
- 2.4 After approval of the project and its budget, the Contractor shall prepare and transmit to the National Petroleum Agency complete details of the project including the following:
- (a) project definition;
 - (b) project specification;
 - (c) flow diagrams;
 - (d) projects implementation schedule showing all phases of the project including engineering design, material and equipment procurement, inspection, transportation, fabrication, construction, installation, testing and commissioning;
 - (e) major equipment specifications;
 - (f) cost estimate of the project;
 - (g) an activity status report; and
 - (h) copies of all approved authorization for expenditure (AFEs).

3. Contract Tender Procedure

- 3.1 The following tender procedure shall apply to works contracts and contracts for the supply of services and supply contracts not directly undertaken by the Contractor or an Affiliate:
- (a) The Contractor shall maintain a list of approved sub-contractors for the purpose of contracts for Petroleum Operations, (the "**Approved Contractors' List**"). The National Petroleum Agency shall have the right to nominate sub-contractors to be included in and excluded, for good cause, from the list. The National Petroleum Agency and the Contractor shall be responsible for pre-qualifying any sub-contractor to be included in the Approved Contractors' List.

- (b) Sub-contractors included in the Approved Contractors' List shall be both local and/or overseas sub-contractors and entities. Where required by law, they shall be registered with the National Petroleum Agency.
 - (c) When a contract is to be bid, the Contractor shall present a list of proposed bidders to the National Petroleum Agency for concurrence not less than fifteen (15) working days before the issuance of invitations to bid to prospective sub-contractors. The National Petroleum Agency may propose additional names to be included in and excluded, for good cause, from the list of proposed bidders. Contract specifications shall be in Portuguese and/or English and in a recognized format used in the international petroleum industry.
 - (d) If the National Petroleum Agency has not responded within fifteen (15) working days from the date of the official receipt following the presentation of the list of proposed bidders as aforesaid, the list shall be deemed to have been approved.
- 3.2 The Contractor shall, for contracts above the limits set forth in Article 1.5, establish a Tender Committee who shall be responsible for pre-qualifying bidders, sending out bid invitations, receiving and evaluating bids and determining successful bidders to whom contracts shall be awarded.
- 3.3 Before a contract is signed, the Contractor shall send analysis and recommendations of bids received and opened by the Tender Committee to the National Petroleum Agency for approval within thirty (30) days from the date of the official receipt. Approval of the Contractor's recommendations shall be deemed to have been given if the National Petroleum Agency has not responded within such period.
- 3.4 Prospective vendors and/or sub-contractors for work estimated in excess of \$2,000,000 for the Exploration Period and \$3,000,000 for the Production Period or their equivalent shall submit the commercial summary of their bids to the Contractor in two (2) properly sealed envelopes, one addressed to the Contractor and one addressed to the National Petroleum Agency. The Contractor shall retain one and send one to the National Petroleum Agency properly enveloped, sealed and addressed to National Petroleum Agency, together with the recommendation provided for in Article 3.3.
- 3.5 In all cases, the Contractor shall make full disclosure to the National Petroleum Agency of its relationship, if any, with any sub-contractors.
- 3.6 These Procurement Procedures may be waived and the Contractor may negotiate directly with a sub-contractor:
- (a) in emergency situations provided that it promptly informs the National Petroleum Agency of the outcome of such negotiations; and
 - (b) in work requiring unusually specialized skills or when special circumstances warrant, upon the approval of the National Petroleum Agency, which approval shall not be unreasonably withheld.

4. General Conditions of Contracts

4.1 The payment terms, to the extent viable, shall provide that:

- (a) Contractor is required to include in the services contracts, terms and condition that guarantees the appropriate security for the sub-contractor's performance, including but not limited to for example, industry standard warranties, retention fees or other guarantees; and
- (b) a provision shall be made for appropriate withholding tax as may be applicable.

4.2 The governing law of all agreements signed with sub-contractors shall be, to the extent feasible, Sao-Tomean law.

4.3 Sao-Tomean law shall apply to all sub-contractors performing work in the Territory of Sao Tome and Principe. In as far as practicable, they shall use Sao-Tomean resources both human and material in accordance with the Petroleum Law.

4.4 Each contract shall provide for early termination where necessary and the Contractor shall use all reasonable endeavors to obtain a termination provision with minimal penalty.

4.5 Sub-contractors shall provide, in the case of a foreign sub-contractor, that the local part of the work, in all cases, shall be performed by the sub-contractor's local subsidiary whenever possible.

5. Materials and Equipment Procurement

5.1 The Contractor may, through itself or its Affiliates, procure materials and equipment subject to conditions set forth in this Article 5 and these Procurement Procedures.

5.2 The provisions of this Article 5 shall not apply to lump sum or turnkey contracts/projects.

5.3 In ordering the equipment or materials, the Contractor shall obtain from vendors / manufacturers such rebates and discounts and such warranties and guarantees that such discounts, guarantees and all other grants and responsibilities shall be for the benefit of Petroleum Operations.

5.4 The Contractor shall:

- (a) by means of established policies and procedures ensure that its procurement efforts provide the best total value, with proper consideration of safety, quality, services, price, delivery and Operating Costs to the benefit of Petroleum Operations;
- (b) maintain appropriate records, which shall be kept up to date, clearly documenting procurement activities;
- (c) provide quarterly and annual inventory of materials and equipment in stock;

- (d) provide a quarterly listing of excess materials and equipment in its stock list to the National Petroleum Agency; and
- (e) check the excess materials and equipment listings from other companies operating in the Territory of Sao Tome and Principe, to identify materials available in the country prior to initiating any foreign purchase order.

5.5 The Contractor shall initiate and maintain policies and practices, which provide a competitive environment and climate amongst local and overseas suppliers. Competitive quotation processes shall be employed for all local procurement where the estimated value exceeds the equivalent of \$1,000,000 as follows:

- (a) fabrication, wherever practicable shall be done locally. To this effect, the Petroleum Operations recognize and shall accommodate local offers at a premium not exceeding ten percent (10%); and
- (b) subject to Article 3.1, the Contractor shall give preferences to Sao-Tomean indigenous sub-contractors in the award of contracts. Contracts within the agreed financial limit of the Contractor shall be awarded to only competent Sao-Tomean indigenous sub-contractors possessing the required skill/capability for the execution of such contracts and the Contractor shall notify the National Petroleum Agency accordingly.

5.6 Analysis and recommendation of competitive quotations of a value exceeding the limits established in Article 1.5 shall be transmitted to the National Petroleum Agency for approval before a purchase order is issued to the selected vendor/manufacturer. Approval shall be deemed to have been given if a response has not been received from the National Petroleum Agency within thirty (30) days of receipt by the National Petroleum Agency of the said analysis and recommendations.

5.7 Pre-inspection of rig, equipment and stock materials of reasonable value shall be jointly carried out at the factory site and/or quay before shipment at the request of either Party.

6. Project Monitoring

6.1 The Contractor shall provide a project report to the National Petroleum Agency.

6.2 For major projects exceeding \$5,000,000 or its equivalent, the Contractor shall provide to the National Petroleum Agency a detailed quarterly report which shall include:

- (a) approved budget total for each project;
- (b) expenditure on each project;
- (c) variance and explanations;
- (d) number and value of construction change orders;

- (e) bar chart of schedule showing work progress and work already completed and schedule of mile-stones and significant events; and
- (f) summary of progress during the reporting period, summary of existing problems, if any, and proposed remedial action, anticipated problems, and percentage of completion,

provided that the National Petroleum Agency shall have the right to send its own representatives to assess the project based on the report.

6.3 In the case of an increase in cost in excess of five percent (5%) of the project, the Contractor shall promptly notify the National Petroleum Agency and obtain necessary budget approval, in accordance with Article 2.6 (c) of Schedule 2.

6.4 Not later than six (6) months following the physical completion of any major project whose cost exceeds \$5,000,000 or its equivalent, the Contractor shall prepare and deliver to the National Petroleum Agency a project completion report which shall include the following:

- (a) a cost performance of the project in accordance with the work breakdown at the commencement of the project;
- (b) the significant variation in any item or sub-item;
- (c) a summary of problems and unexpected events encountered during the project; and
- d) a list of excess materials.

SCHEDULE 5

SALE OF ASSETS PROCEDURE

Upon the agreement of the National Petroleum Agency that identified assets are to be sold, the following procedure shall apply:

1. The Contractor shall call for a bid duly advertised, for example, online, in a national newspaper, national radio station or national television station for all assets not directly related to Petroleum Operations whose book values are \$10,000 and over, irrespective of length of ownership of such assets.
2. All assets as described in paragraph 1 above, with book values of \$10,000 and over shall be sold with proof of highest bid, subject to the highest bidder not being related to the Contractor.
3. Sale of assets to the Contractor's Affiliate shall be brought to the express attention of the National Petroleum Agency and only with the written consent given by the National Petroleum Agency.
4. The Contractor may dispose of all assets as described in paragraph 1 above, with book values less than \$10,000 in the best manner available to the Contractor on the basis of the highest price available.
5. The Contractor shall sell, in customary industry manner, all assets directly related to Petroleum Operations, irrespective of length of ownership of such assets.
6. This Sale of Assets Procedure may be amended from time to time by the mutual agreement of the Parties.

SCHEDULE 6

FORM OF PARENTAL GUARANTEE

THIS GUARANTEE is made on this [INSERT DAY] of [INSERT MONTH AND YEAR]

BETWEEN:

- (1) **[THE GUARANTOR]**, a company organized and existing under the laws of [*insert* JURISDICTION], and having its registered office at [INSERT ADDRESS] (the Guarantor); and
- (2) **THE DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE** (the "State"), represented for the purposes of this Guarantee by the National Petroleum Agency.

WHEREAS, the Guarantor is the parent entity of [INSERT NAME OF COMPANY] organized and existing under the laws of [INSERT JURISDICTION], and having its registered office at [INSERT ADDRESS] (the "**Company**");

WHEREAS, the Company has entered into a production sharing contract (the **Contract**) with, among others, the State in respect of the Contract Area;

WHEREAS, the State desires that the execution and performance of the Contract by the Company be guaranteed by the Guarantor and the Guarantor desires to furnish this Guarantee as an inducement to the State to enter into the Contract and in consideration of the rights and benefits inuring to the Company thereunder; and

WHEREAS, the Guarantor accepts that it fully understands the contractual obligations under the Contract of the Company.

NOW THEREFORE, it is hereby agreed as follows:

1. **Definitions and Interpretation**

All capitalized words and expressions in this Guarantee have the same meaning as in the Contract, unless otherwise specified herein.

2. **Scope of this Guarantee**

The Guarantor hereby guarantees to the State the timely payment of any and all indebtedness and the procurement of the timely performance of all obligations whatsoever of the Company to the State arising under or in relation to the Contract, including the payment of any amounts required to be paid by the Company to the State when the same become due and payable; provided, however, that the liability of the Guarantor to the State hereunder shall not exceed the lesser of:

- (a) the liabilities of the Company to the State;
- (b) Company's paying interest share of ten million Dollars (\$10,000,000) during the Exploration Period, as may be extended in accordance with the Contract; and
- (c) Company's paying interest share of two hundred and fifty million Dollars (\$250,000,000) during the Production Period.

3. **Waiver of Notice, Agreement to All Modifications**

The Guarantor hereby waives notice of the acceptance of this Guarantee by the State and of the state of indebtedness of the Company at any time, and expressly agrees to any extensions, renewals, modifications or acceleration of sums due to the State under the Contract or any of the terms of the Contract, all without relieving the Guarantor of any liability under this Guarantee.

4. **Absolute and Unconditional Guarantee**

The obligations of the Guarantor shall be an absolute, unconditional and (except as provided in Article 2 above) unlimited guarantee of payment and procurement of performance to be performed strictly in accordance with the terms hereof, and without respect to such defences as might be available to the Company.

5. **No Discharge of Guarantor**

The obligations of the Guarantor hereunder shall not in any way be released or otherwise affected by: a release or surrender by the Company of any collateral or other security it may hold or hereafter acquire for payment of any obligation hereby guaranteed; by any change, exchange or alteration of such collateral or other security; by the taking of or the failure to take any action with respect thereto either against the Company or against the Guarantor; or by any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

6. **No Prior Action Required**

The State shall not be required to make demand for payment or performance first against the Company or any other Person or to proceed against any collateral or other security which might be held by the State or otherwise to take any action before resorting to the Guarantor hereunder.

7. **Cumulative Rights**

All rights, powers and remedies of the State hereunder shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to the State by law or otherwise.

8. Continuing Guarantee

This Guarantee is intended to be and shall be considered as a continuing guarantee of payment and performance and shall remain in full force and effect for so long as the Contract and any amendments thereto shall remain outstanding or there shall exist any liability of the Company to the State thereunder. In any event this Guarantee shall terminate no later than 2068.

9. Notice of Demand

Upon default in the performance of any of the obligations of the Company guaranteed hereunder, and provided that the State has communicated to the Company such default and the latter has not remedied or taken the necessary steps to remedy such default within a reasonable period of time, the State or its duly authorized attorney may give written notice to the Guarantor at its principal office in [INSERT JURISDICTION] of the amount due, and the Guarantor, within a period of ten (10) business days, will make, or cause to be made, payment of such amount as notified, in United States dollars, at such bank or other place in [insert jurisdiction] as the State shall designate and without set-off or reduction whatsoever of such payment in respect of any claim the Guarantor or the Company may then have or thereafter might have.

10. Assignment

The Guarantor shall not in any way effect, or cause or permit to be effected, the assignment or transfer of any of its obligations hereunder without the express written consent of the State.

11. Subrogation

Until all indebtedness hereby guaranteed has been paid in full, the Guarantor shall have no right of subrogation to any security, collateral or other rights which may be held by the State.

12. Payment of Expenses

The Guarantor shall pay to the State all reasonable costs and expenses, including attorney's fees, incurred by it in collecting or compromising any indebtedness of the Company hereby guaranteed or in enforcing the Contract or this Guarantee.

13. Governing Law and Arbitration

This Guarantee shall be governed by and interpreted in accordance with the laws of the State.

All disputes or claims arising out of or relating to this Guarantee shall be finally settled by arbitration, in accordance with the procedure set forth in the Contract; however, if in addition to the arbitration hereunder an arbitration has also been commenced under the

Contract with respect to obligations hereby guaranteed, the arbitration commenced hereunder shall be consolidated with the arbitration commenced under the Contract and the arbitral body appointed hereunder shall be the same arbitral body appointed pursuant to the Contract. The arbitration shall be conducted in the Portuguese and English languages and the decision shall be final and binding on the parties.

14. Severability of Provisions

In the event that for any reason any provision hereof may prove illegal, unenforceable or invalid, the validity or enforceability of the remaining provisions hereof shall not be affected.

15. Confidentiality

The Guarantor agrees to treat this Guarantee and the Contract as confidential and shall not disclose, willingly or unwillingly, to any third party, except to the extent required by law or the requirements of any court or stock exchange on which a Party's or its Affiliate's stock is publicly traded, the terms and conditions hereof or thereof without the prior written consent of the State.

IN WITNESS WHEREOF, the Guarantor and the Company execute this Guarantee this [INSERT DAY] day of [INSERT MONTH AND YEAR].

[GUARANTOR]

By: _____

Title: _____

THE DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE

BY THE AGENCIA NACIONAL DO PETROLEO DE SAO TOME AND PRINCIPE

By: _____

Title: _____

PRODUCTION SHARING CONTRACT

BETWEEN

THE DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE

REPRESENTED BY

AGENCIA NACIONAL DO PETROLEO DE SAO TOME AND PRINCIPE

BP EXPLORATION (STP) LIMITED

AND

KOSMOS ENERGY SAO TOME AND PRINCIPE

FOR

BLOCK 13

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THIS PRODUCTION SHARING CONTRACT is made and entered into on this 9th day of March 2018 by and between:

(1) **THE DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE** represented by the **AGÊNCIA NACIONAL DO PETRÓLEO DE SÃO TOMÉ E PRÍNCIPE**;

and

(2) **BP EXPLORATION (STP) LIMITED**, a company organized and existing under the laws of England, whose registered office is at Chertsey Road, Sunbury-on-Thames, Middlesex TW 16 7LN, United Kingdom, with a branch registered at *Guiché Único de São Tomé e Príncipe* under n° 8042/20180308 and offices located at Avenida da Independencia no. 392, II/111, São Tomé – São Tomé e Príncipe, hereinafter referred to as “BP” and

(3) **KOSMOS ENERGY SAO TOME AND PRINCIPE**, a company organized and existing under the laws of Cayman Islands, whose registered office is at c/o Circumference (Cayman), P.O. Box 32322, 4th floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KY1, 1209 with a branch registered in Sao Tome and Principe with the *Guichê Único* under n° 5492/2016 at Condomínio da Praia Lagarto C.P. 987 Distrito de Agua Grande, São Tomé - São Tomé e Príncipe, hereinafter referred to as “Kosmos”

(BP and Kosmos are together the “**Contractor**”).

BACKGROUND:

(A) All Petroleum existing within the Territory of Sao Tome and Principe, as set forth in the Petroleum Law, are natural resources exclusively owned by the State.

(B) The Agência Nacional do Petróleo de São Tome e Príncipe, with the approval of the Government of Sao Tome and Principe, has the authority to enter into contracts for the conduct of Petroleum Operations in and throughout the area, whose co-ordinates are described and outlined on the map in Schedule 1 of this Contract, which area is hereinafter referred to as the Contract Area.

(C) The State wishes to promote Petroleum Operations in the Contract Area and the Contractor desires to join and assist the State in accelerating the exploration and exploitation of potential Petroleum resources within the Contract Area.

(D) The Contractor has the necessary financial capability and technical knowledge and ability to carry out the Petroleum Operations hereinafter described in accordance with this Contract, the Petroleum Law and Good Oil Field Practice.

(E) Pursuant to and in accordance with the Petroleum Law, this Contract has been entered into by and between the State and the Contractor for the purpose of Petroleum Operations in the Contract Area.

(F) BP is hereby designated as the Operator under Clause 28 of this Contract.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Except where the context otherwise indicates or as defined in the Petroleum Law and Petroleum Operations Regulation, the following words and expressions shall have the following meanings:

“**Accounting Procedures**” means the rules and procedures set forth in Schedule 2;

“**Affiliate**” means in respect of a Party, a Person that Controls, is Controlled by, or is under the common Control with, the Party or any such Person, as the case may be;

“**Allocation and Lifting Procedures**” means the allocation and lifting procedures set forth in Schedule 3 until a lifting agreement has been agreed between the Parties pursuant to Clause 9.2(j) after which references to the “Allocation and Lifting Procedures” shall be deemed to be references to such agreement;

“**Appraisal**” means the activities carried out after the discovery of a Petroleum deposit with the objective of defining the parameters of the deposit in order to determine its commerciality including, but not limited to, the following:

- (a) drilling of Appraisal Wells and running tests; and
- (b) running supplementary studies and acquisition, processing and interpretation of geophysical and other data;

“**Appraisal Well**” means any well whose purpose at the time of commencement of drilling such well is the determination of the extent or volume of Petroleum contained in a Discovery;

“**Associate**” means any Affiliate, subcontractor or other Person associated with a Contractor in the conduct of Petroleum Operations;

“**Associated Natural Gas**” means all Natural Gas produced from a Reservoir the predominant content of which is Crude Oil and which is separated from Crude Oil in accordance with generally accepted international petroleum industry practice, including free gas cap, but excluding any liquid Petroleum extracted from such gas either by normal field separation, dehydration or in a gas plant;

“**Available Crude Oil**” means the Crude Oil recovered from the Contract Area, less quantities used for Petroleum Operations;

“**Barrel**” means a quantity or unit of Crude Oil, equal to 158.9874 liters (forty-two (42) United States gallons) net of basic sediment and water at a temperature of fifteen point five six degrees (15.56°) Centigrade (sixty degrees (60°) Fahrenheit) at one (1) atmosphere of pressure;

“**Budget**” means the cost estimate of items included in an approved Work Program;

“**Calendar Year**” or “**Year**” means a period of twelve (12) months commencing from January 1 and ending the following December 31, according to the Gregorian calendar;

“**Commercial Discovery**” means any Discovery, which has been declared to be commercial by the Contractor;

“**Contract**” means this production sharing contract, including its Recitals and Schedules;

“**Contract Area**” means the geographic area within the Territory of Sao Tome and Principe which is the subject of this Contract and as described in Schedule 1, as such area may be amended in accordance with the terms herein;

“**Contractor’s Intellectual Property Rights**” means any and all of Contractor’s patents, patent applications, patent disclosures, inventions and improvements (whether patentable or not), copyrights and copyrightable works (including computer programs) and registrations and applications therefor any software, firmware, or source code, trade secrets, know-how, database rights, and all other forms of intellectual property created, as well as any other data and information developed or conceived by Contractor prior to the Effective Date, but specifically excludes the National Petroleum Agency’s right to have legal title to and keep originals of all data and information resulting from Petroleum Operations including geological, geophysical, engineering, well logs, completion, production, operations, status reports and any other data and information as the Contractor may compile during the term of this Contract;

“**Cost Oil**” means the quantum of Available Crude Oil allocated to the Contractor for recovery of Operating Costs after the allocation of Royalty Oil to the State;

“**Control**” means, in relation to a Person, the power of another Person to secure:

- (a) by means of the holding of shares or the possession of voting power, directly or indirectly, in or in relation to the first Person; or
- (b) by virtue of any power conferred by the articles of association of, or any other document regulating, the first Person or any other Person,

so that the affairs of the first Person are conducted in accordance with the decisions or directions of that other Person;

“**Crude Oil**” means crude mineral oil and liquid hydrocarbons in their natural state or obtained from Natural Gas by condensation or extraction;

“**Decommissioning**” means to abandon, decommission, transfer, remove and/or dispose of structures, facilities, installations, equipment and other property and other works used in Petroleum Operations in the Contract Area, to clean the Contract Area and make it good

and safe, and to protect the environment, as further set out herein, and in the Petroleum Law and other applicable laws and regulations;

“Delivery Point” means the point located within the jurisdiction of the State at which Petroleum reaches (i) the inlet flange at the FOB export vessel, (ii) the loading facility metering station of a pipeline or (iii) such other point within the jurisdiction of the State as may be agreed between the Parties;

“Development” means activities carried out for a commercial discovery in order to achieve Production including, without limitation:

- (a) geological, geophysical and reservoir studies and surveys;
- (b) drilling of production and injection wells; and
- (c) design, construction, installation, connection and initial testing of equipment, pipelines, systems, facilities, machinery and related activities necessary to produce and operate said wells, to take, treat, handle, store, re-inject, transport and deliver Petroleum, and to undertake re-pressuring, recycling and other secondary and tertiary recovery projects;

“Development Area” means the extent of an area within the Contract Area capable of Production of Petroleum identified in a Commercial Discovery, and agreed upon by the National Petroleum Agency following such Commercial Discovery;

“Discovery” means any geological structure(s) in which, after testing, sampling and/or logging an Exploration Well, the existence of mobile hydrocarbons has been made probable and which structure(s) the Contractor deems worthy of evaluating further by conducting Appraisal operations;

“Effective Date” has the meaning ascribed to it in Clause 26.1;

“Exploration” means the set of operations carried out through the use of geological, geochemical and/or geophysical methods, with a view to locating Reservoirs, as well as the processing, analysis and interpretation of data so acquired as well as regional studies and mapping, in each case leaving an appraisal or better knowledge of the Petroleum potential of a given area and the drilling and testing of wells that may lead to the discovery of Petroleum;

“Exploration Period” has the meaning ascribed to it in Clause 4.1;

“Exploration Well” means a well on any geological structure(s), whose purpose at the time of commencement of such well is to explore for an accumulation of Petroleum whose existence at the time was unproven by drilling;

“Field Development Program” means the program of activities presented by the Contractor to the National Petroleum Agency for approval outlining the plans for the Development of a Commercial Discovery. Such activities include:

- (a) Reservoir, geological and geophysical studies and surveys;
- (b) drilling of production and injection wells; and
- (c) design, construction, installation, connection and initial testing of equipment, pipelines, systems, facilities, plants and related activities necessary to produce and operate said wells, to take, save, treat, handle, store, transport and deliver Petroleum, and to undertake re-pressurizing, recycling and other secondary or tertiary recovery projects;

“Force Majeure” has the meaning ascribed to it in Clause 21;

“Good Oil Field Practice” means the standards, methods and practices generally used in good and prudent international offshore oil and gas field practice;

“Government” means the government of Sao Tome and Principe, as provided for in article 109 of the Constitution;

“Gross Negligence” or **“Willful Misconduct”** means any act or failure to act (whether sole, joint or concurrent) by a person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity;

“LIBOR” means the London interbank offered rate for six (6) month deposits denominated in United States dollars as published electronically by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate). The applicable rate for each month or part thereof within an applicable interest period shall be the interest rate published on the last business day of the immediately preceding calendar month. If no such rate is published during a period of five (5) consecutive business days, another rate chosen by mutual agreement between the National Petroleum Agency and the Contractor shall apply;

“Minimum Financial Commitment” has the meaning ascribed to it in Clause 7.3(a);

“Minimum Work Obligations” has the meaning ascribed to it in Clause 7.2;

“National Petroleum Account” means the account established in accordance with the Oil Revenue Law;

“National Petroleum Agency” or **“Agência Nacional do Petróleo”** means the State regulatory agency established by the Government Decree-Law 5/2004 of the 30th of June, which is responsible for the regulation and supervision of Petroleum Operations or any

agency which succeeds the National Petroleum Agency with respect to some or all of its powers;

“**Natural Gas**” or “**Gas**” means all gaseous hydrocarbons and inerts, including wet mineral gas, dry mineral gas, gas produced in association with Crude Oil and residue gas remaining after the extraction of liquid hydrocarbons from wet gas, but not including Crude Oil;

“**Oil Revenue Law**” means the oil revenue law of the State, Law No. 8/2004 of the 30th of December, as amended, supplemented or replaced from time to time;

“**Operating Costs**” means expenditures incurred and obligations made as determined in accordance with Article 2 of the Accounting Procedures;

“**Parties**” or “**Party**” means the parties or a party to this Contract;

“**Person**” means any individual or legal entity, consortium, joint venture, partnership, trust, heir, unincorporated or incorporated organization, or government or any agency or local entity, whether national or foreign, Resident or Non-Resident (as defined in the Petroleum Taxation Law) of Sao Tome and Principe;

“**Petroleum**” means:

- (a) any naturally occurring hydrocarbon, whether in a gaseous, liquid or solid state;
- (b) any mixture of naturally occurring hydrocarbons, whether in a gaseous, liquid or solid state; or
- (c) any Petroleum (as defined above) that has been returned to a Reservoir;

“**Petroleum Law**” means the Fundamental Law on Petroleum Operations, Law no. 16/2009 of 31 December, 2009, as amended or supplemented from time to time, and regulations made and directions provided under such law;

“**Petroleum Operations**” means activities undertaken in the Contract Area for the purposes of:

- (a) the Exploration, Appraisal, Development, Production, transportation, sale or export of Petroleum;
- (b) the construction, installation or operation of any structures, facilities or installations for the Development, Production and export of Petroleum, or Decommissioning or removal of any such structure, facility or installation;

“**Petroleum Operations Regulation**” means the rules on petroleum operations published in the Official Journal, Supplement n° 28, dated 31st December 2010;

“Petroleum Taxation Law” means the Petroleum Taxation Law, Law no. 15/2009 of 31 December, 2009, as amended, supplemented or replaced from time to time;

“Proceeds” means the amount in United States dollars determined by multiplying the Realizable Price by the number of Barrels of Available Crude Oil lifted by a Party;

“Production” means the activities involved in the extraction of Petroleum including, without limitation, the running, servicing, maintenance and repair of completed wells, as well as of the equipment, pipelines, systems, facilities and plants completed during Development including all activities related to the planning, scheduling, controlling, measuring, testing, gathering, treating, storing and dispatching of Petroleum from the underlying Reservoir to the designated exporting or lifting locations and furthermore, the Decommissioning of wells, facilities, pipelines and Reservoirs and related activities;

“Production Period” has the meaning ascribed to it in Clause 4.6;

“Profit Oil” means the balance of Available Crude Oil after the allocation of Royalty Oil and Cost Oil;

“Quarter” means a period of three (3) consecutive Months starting with the first day of January, April, July or October of each Year;

“Realizable Price” means the price in United States dollars per Barrel determined in accordance with Clause 11;

“Relinquished Area” means that portion of the Contract Area that is relinquished pursuant to and in accordance with Clauses 5.1(d) and/or 6;

“Reservoir” means a porous and permeable underground formation containing an individual and separate natural accumulation of producible Petroleum that is confined by impermeable rock and/or water barriers and is characterized by a single natural pressure system;

“Retained Area” means that portion of the Contract Area that is retained after a relinquishment under Clauses 5.1(d) and/or 6;

“Royalty” or **“Royalty Oil”** means the quantum of Available Crude Oil allocated to the State, based on a percentage calculated as a function of daily production rates as set forth in Clause 10.1(a);

“State” means the Democratic Republic of Sao Tome and Principe;

“State Entity” means any entity or body which integrates the public administration’s structure of the State or, in any other way, an entity in which the State has a full equity or full interest ownership designated by the State under Clause 8 of this Contract;

“Tax” means the tax payable pursuant to the Petroleum Taxation Law;

“Unassociated Natural Gas” or “Unassociated Gas” means that part of Natural Gas which is not Associated Natural Gas; and

“Work Program” means the work commitments itemizing the Petroleum Operations to be carried out in the Contract Area for the required period as defined in Clause 7.

- 1.2 Unless the context otherwise requires, reference to the singular shall include the plural and vice versa and reference to any gender shall include all genders.
- 1.3 The Schedules form an integral part of this Contract.
- 1.4 The table of contents and headings in this Contract are inserted for convenience only and shall not affect the meaning or construction of this Contract.
- 1.5 References in this Contract to the words “include”, “including” and “other” shall be construed without limitation.
- 1.6 In the event of any inconsistency between the main body of this Contract and any Schedule, the provisions of the former shall prevail.

2. BONUSES AND SOCIAL PROJECTS

2.1 Signature Bonus

The Contractor shall pay to the State by deposit into the National Petroleum Account a signature bonus in the amount of US\$5,000,000 (five million United States dollars) within thirty (30) days after both the execution of this Contract and delivery to the Contractor of an instrument of ratification and in immediately available funds.

2.2 Production Bonuses

The Contractor shall pay to the State by deposit into the National Petroleum Account production bonuses based on attainment of cumulative Production of Petroleum from each Development Area as follows:

Cumulative Production (millions of Barrels or Barrels equivalent)	Bonus (US\$ million)
50	7.5
150	10
350	15
500	20

- 2.3 The production bonuses provided for in Clause 2.2 shall be payable to the State by deposit into the National Petroleum Account within thirty (30) days of such Production level being first attained in immediately available funds.

2.4 The signature and production bonuses provided for in this Clause 2 shall not be recoverable as Cost Oil or deductible for Tax purposes.

2.5 Social Projects

The Contractor commits to undertake social projects during the Exploration Period valued at US\$17,000,000 (seventeen million United States dollars), capped at US\$15,000,000 (fifteen million United States dollars) in the Exploration Phase I, US\$1,000,000 (one million United States dollars) in Exploration Phase II and US\$1,000,000 (one million United States dollars) in Exploration Phase III. If Petroleum is produced from the Contract Area, the Contractor shall undertake additional social projects according to the following schedule:

Cumulative Production (millions of Barrels or Barrels equivalent)	Value (US\$ million) of Project
20	2.5
40	5.0
60	7.5

2.6 The details of the social projects to be undertaken by the Contractor in accordance with Clause 2.5 shall be determined by agreement between the Contractor and the National Petroleum Agency. Failing such agreement, the Contractor and the National Petroleum Agency shall each submit a proposal to an expert appointed by the World Bank and such expert shall determine which of the two (2) proposals shall be implemented, The Contractor shall be solely responsible for any and all costs and expenses associated with the foregoing expert determination. The value of the projects provided for in Clause 2.5 above shall not be recoverable as Cost Oil or deductible for Tax purposes.

2.7 The Contractor shall be responsible for the implementation of all agreed or chosen social projects, which shall be undertaken using all reasonable skill and care.

3. SCOPE

3.1 This Contract is a production sharing contract awarded pursuant to the Petroleum Law and governed in accordance with the terms and provisions hereof. The conduct of Petroleum Operations and provision of financial and technical requirements by the Contractor under this Contract shall be with the prior approval of or in prior consultation with the National Petroleum Agency as required under this Contract or the Petroleum Law. The State hereby appoints and constitutes the Contractor as the exclusive company(ies) to conduct Petroleum Operations in the Contract Area.

3.2 During the term of this Contract the total Available Crude Oil shall be allocated to the Parties in accordance with the provisions of Clause 10, the Accounting Procedures and the Allocation and Lifting Procedures.

- 3.3 The Contractor together with its Affiliates shall provide all funds and bear all risk of Operating Costs and the sole risk in carrying out Petroleum Operations,
- 3.4 The Contractor shall engage in Petroleum Operations solely in accordance with the Petroleum Law, the Petroleum Taxation Law, Good Oil Field Practice and all other applicable laws and regulations.
- 4. TERM**
- 4.1 Save as otherwise provided in Clause 4.6 and the extensions granted by the National Petroleum Agency, and subject to Clause 20, the term of this Contract shall be for a period of twenty-eight (28) years from the Effective Date, with an eight (8) year Exploration and Appraisal period, as extended pursuant to Clauses 5.1(b) and/or (c) (the “**Exploration Period**”) and a twenty (20) year Production period, as extended pursuant to Clause 4.6.
- 4.2 The Exploration Period shall be divided as follows:
- Phase I: four (4) years from the Effective Date;
- Phase II: from the end of Phase I until two (2) years after the end of Phase I; and
- Phase III: from the end of Phase II until two (2) years after the end of Phase II, as extended pursuant to Clauses 5.1(b) and/or (c).
- 4.3 The Contractor shall commence Petroleum Operations no later than thirty (30) days after the National Petroleum Agency has approved the first Work Program.
- 4.4 Provided the Contractor has fulfilled all of its obligations relative to the current phase of the Exploration Period as described in Clause 7.2, the Contractor may enter the next phase. The Contractor shall provide the National Petroleum Agency with written notice of its intention to enter the next phase of the Exploration Period at least sixty (60) days prior to the end of the relevant phase. The report shall document that the work commitments for the phase are fulfilled. The Ministry may, upon application, exempt Contractor from the work obligations.
- 4.5 Provided the Contractor has fulfilled all of its obligations relative to the current phase of the Exploration Period as described in Clause 7.2, the Contractor may terminate this Contract at the end of any phase during the Exploration Period in accordance with Clause 20.7.
- 4.6 The Contractor shall have the right to produce Petroleum from each Development Area for a period of twenty (20) years from the date of the first commercial Production in the relevant Development Area (the “**Production Period**”). This Contract will terminate with respect to the relevant Development Area at the end of such twenty (20) year period unless the National Petroleum Agency grants an extension on application of the Contractor, The Contractor may, for any Development Area, be granted one (1) or more five (5) year extension periods for a Development Area until all Petroleum has been economically depleted. In connection with any such extensions, the Parties agree to engage in good faith to re-negotiate

the commercial terms of this Contract governing the applicable Development Area at least five (5) years prior to the expiration of the initial twenty (20) year period and at least two (2) years prior to the expiration of any subsequent extension period.

5. COMMERCIAL DISCOVERY AND DECLARATION OF COMMERCIALITY

5.1 The sequence of Petroleum Operations to establish a Commercial Discovery of Petroleum (other than Unassociated Natural Gas) shall be as follows:

- (a) the Contractor shall have a period of up to forty-five (45) days from the date on which the drilling of the applicable Exploration Well terminates to declare whether the Exploration Well has proven a Discovery;
- (b) the Contractor shall then have a period of two (2) years (unless otherwise agreed by the National Petroleum Agency) from declaration of a Discovery to declare the Discovery, either on its own or in aggregation with other Discoveries, a Commercial Discovery, which may be extended for one (1) year, subject to the approval of the National Petroleum Agency and observance of Clauses 2.5 (pro-rata per annum) and 14.7, if the results of those activities indicate that further Appraisal is necessary;
- (c) if the Contractor declares a Commercial Discovery it shall have a period of two (2) years (unless otherwise agreed by the National Petroleum Agency) from the time the Contractor declares a Discovery or aggregation of Discoveries to be a Commercial Discovery to submit a Field Development Program to the National Petroleum Agency for approval;
- (d) in the event a Discovery is not determined to be a Commercial Discovery, upon expiration of the period set out in Clause 5.1(b), the State may, provided it gives at least eighteen (18) months' notice, require the Contractor to promptly relinquish, without any compensation or indemnification whatsoever, the area encompassing the Discovery, including all of its rights to Petroleum which may be produced from such Discovery;
- (e) if a Field Development Program is approved by the National Petroleum Agency, the Contractor shall initiate field development and production according to the time schedule outlined in such Field Development Program.

5.2 Unassociated Natural Gas shall be developed in accordance with Clause 23.4.

6. RELINQUISHMENT OF AREAS

6.1 The Contractor must relinquish the Contract Area or part thereof in accordance with the following:

- (a) twenty-five percent (25%) of the initial surface area of the Contract Area shall be relinquished at the end of Phase I of the Exploration Period;

- (b) a further twenty-five percent (25%) of the initial surface area of the Contract Area shall be relinquished at the end of Phase II of the Exploration Period; and
- (c) the remainder of the Contract Area shall be relinquished at the end of Phase III of the Exploration Period less:
 - (i) any area which is the subject of an approved Appraisal program pursuant to Clause 5.1(b) or any Development Area;
 - (ii) areas for which the approval of a Field Development Program is pending, until finally decided; and
 - (iii) any area reserved for a possible Unassociated Natural Gas Appraisal in relation to which the Contractor is engaged in discussions with the State in accordance with Clause 23.4.

6.2 Any Retained Area and Relinquished Area shall be, as far as possible, single continuous units and delimited by meridians of longitude and parallels of latitude defined in the relevant coordinate reference system using degrees, minutes and seconds to the nearest whole minute to be approved by the National Petroleum Agency. In the case where the Retained Area or Relinquished Area is aligned with an international maritime boundary the international maritime boundary shall define the relevant edges of the Retained Area or Relinquished Area.

6.3 Any Relinquished Area shall revert to the State.

6.4 Subject to the Contractor's obligations under Clause 7 and its Decommissioning obligations, the Contractor may at any time notify the National Petroleum Agency upon three (3) months prior written notice that it relinquishes its rights over all or part of the Contract Area. In no event shall any voluntary relinquishment by the Contractor over all or any part of the Contract Area reduce the Minimum Work Obligations or Minimum Financial Commitment set out in Clause 7.

7. **MINIMUM WORK PROGRAM AND BUDGET**

7.1 Within two (2) months after the Effective Date and thereafter at least three (3) months prior to the beginning of each Calendar Year, the Contractor shall prepare and submit for the approval of the National Petroleum Agency, a Work Program and Budget for the Contract Area setting forth the Petroleum Operations which the Contractor proposes to carry out during the ensuing Year, or in case of the first Work Program and Budget, during the remainder of the current Year.

7.2 The minimum Work Program for each phase of the Exploration Period is as follows (the "**Minimum Work Obligations**"):

- (a) Phase I: The Contractor shall: acquire six thousand seven hundred (6,700) square kilometres (km²) 3D seismic.

- (b) Phase II: If the Contractor elects to enter Phase II, then during such Phase II of the Exploration Period the Contractor shall drill one (1) well into the Campanian/Santonian or to a total depth of five thousand, five hundred (5,500) meters sub-sea in the Contract Area.
- (c) Phase III: If the Contractor elects to enter Phase III of the Exploration Period, then during such Phase III the Contractor shall drill one (1) well.

7.3 **Minimum Financial Commitments**

- (a) The Contractor shall be obligated to incur the following minimum financial commitment (the “**Minimum Financial Commitment**”):

Phase I: US\$15,000,000 (fifteen million United States dollars)

Phase II: US\$30,000,000 (thirty million United States dollars)

Phase III: US\$30,000,000 (thirty million United States dollars)

- (b) If the Contractor fulfills the Minimum Work Obligations set forth in Clause 7.2 for each phase of the Exploration Period, then the Contractor shall be deemed to have satisfied the Minimum Financial Commitments for each such phase. If the Contractor fails to complete the Minimum Work Obligations for any phase of the Exploration Period and such commitment has not been moved to the next phase, if any, with the consent of the National Petroleum Agency, then the Contractor shall pay to the State by deposit into the National Petroleum Account (i) the difference between the Minimum Financial Commitment for the then current phase and the amount actually expended in Petroleum Operations for such phase and (ii) two percent 2% of the Minimum Financial Commitment for the subsequent phase that is not initiated, as liquidated damages in full and final settlement of all potential claims for breach of this Contract and, notwithstanding Clause 20, this Contract shall automatically terminate.

7.4 The Contractor shall be excused from any delay or failure to comply with the terms and conditions of Clauses 7.2 and/or 7.3:

- (a) during any period of Force Majeure; or
- (b) if the National Petroleum Agency or any other State authority denies the Contractor any required permissions to perform the Petroleum Operations which constitute Minimum Work Obligations.

7.5 The time for performing any incomplete Minimum Work Obligations for any phase of the Exploration Period and the term of this Contract shall be extended by the following periods in the circumstances set out in Clause 7.4:

- (a) with respect to Clause 7.4(a), for the period during which Force Majeure is in existence; and

- (b) with respect to Clause 7.4(b), for six (6) months to permit the Contractor time to make a revised drilling plan or other work which is satisfactory to the National Petroleum Agency.
- 7.6 If any circumstance described in Clauses 7.4 and 7.5 is not resolved within the time periods specified above, then after consultation with National Petroleum Agency, the Contractor shall be liable to pay into the National Petroleum Account an amount corresponding to the unfulfilled work for that phase and, notwithstanding Clause 20, this Contract shall automatically terminate.
- 7.7 Any unfulfilled Minimum Work Obligation in any phase of the Exploration Period may, with the written consent of the National Petroleum Agency, be added to the Minimum Work Obligation for the next succeeding phase.
- 7.8 Expenditures or work by the Contractor over and above the Minimum Work Obligations or Minimum Financial Commitment for any phase shall be credited against and reduce the Minimum Work Obligations or Minimum Financial Commitments for the next succeeding phase.
- 7.9 For the purposes of determining whether an Exploration Well or an Appraisal Well has been drilled in accordance with the Minimum Work Obligations, such a well shall be deemed drilled if the minimum total depth has been reached or if any one of the following events occurs prior to reaching the minimum total depth:
- (a) a Discovery is made and further drilling may cause irreparable damage to such Discovery;
 - (b) basement is encountered;
 - (c) the National Petroleum Agency and the Contractor agree the well is drilled for the purpose of fulfilling the obligation to complete the Minimum Work Obligation; or
 - (d) technical difficulties are encountered which, in the judgment of the Contractor and in accordance with Good Oil Field Practice, makes further drilling impracticable, uneconomic, unsafe or a danger to the environment.
- 7.10 The Exploration Period provided in Clause 4.2, may be extended for an additional six (6) months to conclude the drilling and testing of any well for which operations have been commenced by the end of Phase III of such period (as extended); provided that if no Commercial Discovery has been declared by the Contractor during the Exploration Period, as may be extended, this Contract shall automatically terminate.
- 7.11 **Performance Bond**
- (a) Within thirty (30) days from the Effective Date, the Contractor shall submit a performance bond in a form approved by the National Petroleum Agency and from a reputable international financial institution approved by the National Petroleum

Agency to cover the Minimum Financial Commitment for Phase I of the Exploration Period.

- (b) Should the Contractor satisfy in full the conditions for continuing Petroleum Operations at the end of Phase I of the Exploration Period pursuant to Clause 7.2, a replacement performance bond in the same form and from a reputable international financial institution unless otherwise agreed by the National Petroleum Agency shall be submitted within thirty (30) days from the date of the extension to cover the Minimum Financial Commitment for Phase II of the Exploration Period.
- (c) Should the Contractor satisfy in full the conditions for continuing Petroleum Operations at the end of Phase II of the Exploration Period pursuant to Clause 7.2, a replacement performance bond in the same form and from a reputable international financial institution unless otherwise agreed by the National Petroleum Agency shall be submitted within thirty (30) days from the date of the extension to cover the Minimum Financial Commitment for Phase III of the Exploration Period.

7.12 The amount of a performance bond shall be reduced annually by deducting the verified expenditures the Contractor has incurred in the previous year of each phase and shall terminate at the end of each phase, if the Minimum Work Obligations or Minimum Financial Commitment for that phase has been satisfied in full.

7.13 **Guarantee**

Within thirty (30) days from date of execution of this Contract, the Contractor shall submit a guarantee from a parent company approved by the National Petroleum Agency in the form of Schedule 6 which shall be valid up to four (4) years after the termination of this Contract. Wherever the Contractor is formed by more than one entity, each entity shall present a parent company guarantee approved by the National Petroleum Agency in an amount equal to its participating interest share of the amount set forth in Schedule 6. The National Petroleum Agency, or the other State Entity designated to participate in this Contract, is not subject to this obligation while its participation is a carried one, in which case the remaining parties to the Contract shall guarantee the amount which will be incumbent to the former, in the proportion of their participating interests in this Contract.

8. STATE PARTICIPATION AND CARRY

8.1 The State, either through the National Petroleum Agency or any other State Entity designated by the State, shall have as of the Effective Date a carried interest of fifteen percent (15%) of the Contractor's rights and obligations under this Contract. The Contractor shall fund, bear and pay all costs, expenses and amounts due in respect of Petroleum Operations conducted pursuant to this Contract.

8.2 The National Petroleum Agency or other State Entity designated by the State shall become a party to the Joint Operating Agreement in respect of its carried interest referred to in Clause 8.1.

- 8.3 Upon the commencement of commercial Production the Contractor shall be entitled to receive one hundred percent (100%) of Cost Oil in order to recover all costs, expenses and amounts paid in respect of Petroleum Operations pursuant to Clause 8.1 and incurred on behalf of the National Petroleum Agency or other State Entity designated by the State.
- 8.4 The National Petroleum Agency or other State Entity designated by the State shall be entitled to receive fifteen percent (15%) of the Contractor's entitlement to Profit Oil as provided for in Clause 10.1(d).
- 8.5 The National Petroleum Agency or other State Entity designated by the State shall be entitled at any time, upon advance forty-five (45) days written notice to the Contractor, to convert its carried interest into a full working participating interest. The National Petroleum Agency or other State Entity designated by the State shall be entitled to fifteen percent (15%) of the Cost Oil to which the Contractor is entitled pursuant to Clause 10.1 (b) and (c), after Contractor has recovered outstanding cost, expense or any other amount incurred by the Contractor pursuant to Clause 8.1.

9. RIGHTS AND OBLIGATIONS OF THE PARTIES

- 9.1 In accordance with this Contract, the National Petroleum Agency shall:
- (a) pursuant to Clause 14, jointly work with the Contractor's professional staff in the fulfillment of Petroleum Operations under this Contract;
 - (b) assist and expedite the Contractor's execution of Petroleum Operations and Work Programs including assistance in supplying or otherwise making available all necessary visas, work permits, rights of way and easements as may be reasonably requested by the Contractor. All expenses incurred by the National Petroleum Agency at the Contractor's request in providing such assistance shall be reimbursed to the National Petroleum Agency by the Contractor in accordance with Clause 12. Such reimbursement shall be made against presentation of invoices and shall be in United States dollars. The Contractor shall include such reimbursements in the Operating Costs;
 - (c) have the right to recover from the Contractor all costs which are reasonably incurred for purposes of Petroleum Operations, duly documented and previously agreed with Contractor;
 - (d) have legal title to and shall keep originals of all data and information resulting from Petroleum Operations including geological, geophysical, engineering, well logs, completion, production, operations, status reports and any other data and information as the Contractor may compile during the term of this Contract but excluding any Contractor's Intellectual Property Rights; provided, however, that the Contractor shall be entitled to keep copies and use such data and information during the term of this Contract; and

- (e) not exercise all or any of its rights or authority over the Contract Area in derogation of the rights of the Contractor otherwise than in accordance with the Petroleum Law.

9.2 In accordance with this Contract, the Contractor shall:

- (a) promptly pay to the State by deposit into the National Petroleum Account all fees, bonuses, and other amounts due to the State under the terms of this Contract;
- (b) provide all necessary funds for the payment of Operating Costs including funds required to provide all materials, equipment, facilities, supplies and technical requirements (including personnel) whether purchased or leased;
- (c) provide such other funds for the performance of Work Programs including payments to third parties who perform services to the Contractor in the conduct of Petroleum Operations;
- (d) prepare Work Programs and Budgets and carry out approved Work Programs in accordance with Good Oil Field Practice with the objective of avoiding waste and obtaining maximum ultimate recovery of Petroleum at a minimum cost;
- (e) exercise all the rights and comply with all the obligations under the Petroleum Law and any other applicable laws and pay the following fees to the State by deposit into the National Petroleum Account (all expressed in United States dollars):

On application for the Production Period:	\$500,000
To assign or otherwise transfer any interest during Exploration Period	\$100,000
To assign or otherwise transfer any interest during Production Period	\$300,000
On application to terminate this Contract:	\$100,000
On application for the Contractor to commence drilling:	\$25,000

- (f) ensure that all leased equipment brought into the Territory of Sao Tome and Principe for the conduct of Petroleum Operations is treated in accordance with the terms of the applicable leases;
- (g) have the right of ingress to and egress from the Contract Area and to and from facilities therein located at all times during the term of this Contract;
- (h) promptly submit to the National Petroleum Agency for permanent custody originals of all geological, geophysical, drilling, well production, operating and other data, information and reports as it or its Associates may compile during the term of this Contract;
- (i) prepare estimated and final tax returns and submit same to the relevant tax authority on a timely basis in accordance with the Petroleum Taxation Law;

- (j) have the right to lift Available Crude Oil in accordance with the lifting agreement to be agreed by the Parties pursuant to Schedule 3 no later than nine (9) months prior to commencement of Production, and, in the event the Parties have not agreed a lifting agreement by the commencement of Production then, in accordance with the principles set forth in Schedule 3. Contractor shall have the right to freely export Available Crude Oil allocated to it under this Contract exempt from all and any customs duties, levies or charges (excluding the routine administrative fees associated with export documentation and inspection of such export, if applicable), and retain abroad the Proceeds from the sale of Available Crude Oil allocated to it under this Contract;
- (k) in accordance with Clause 14, prepare and carry out plans and programs of the State for industry training and education of nationals of Sao Tome and Principe for all job classifications with respect to Petroleum Operations pursuant to and in accordance with the Petroleum Law;
- (l) employ only such qualified personnel as is required to conduct Petroleum Operations in accordance with Good Oil Field Practice and in a prudent and cost-effective manner giving preference to qualified nationals of Sao Tome and Principe;
- (m) give preference to such goods, material and equipment which are available in Sao Tome and Principe or services that can be rendered by nationals of Sao Tome and Principe in accordance with the Petroleum Law and this Contract;
- (n) the Contractor and its Associates shall, as the case may be, pay all charges and fees as are imposed by law in Sao Tome and Principe. The Contractor and its Associates shall not be treated differently from any other Persons engaged in similar petroleum operations in the Territory of Sao Tome and Principe;
- (o) indemnify and hold the State, including the National Petroleum Agency, harmless against all losses, damages, injuries, expenses, actions of whatever kind and nature including all legal fees and expenses suffered by the State or the National Petroleum Agency where such loss, damage, injury, expense or action is caused by the Gross Negligence or Willful Misconduct of the Contractor, its Affiliates, its sub-contractors or any other Person acting on its or their behalf or any of their respective directors, officers, employees, agents or consultants;
- (p) not exercise all or any rights or authority over the Contract Area in derogation of the rights of the State or in breach of the Petroleum Law;
- (q) in the event of any emergency requiring immediate operational action, take all actions it deems proper or advisable to protect the interests of the Parties and any other affected Persons and any costs so incurred shall be included in the Operating Costs. Prompt notification of any such action taken by the Contractor and the estimated cost shall be given to the National Petroleum Agency within forty-eight (48) hours of becoming aware of the event; and

(r) have, as of the date of execution of this agreement, the participating interests of:

- BP – 50% (fifty percent);
- Kosmos – 35% (thirty-five percent).

In accordance with Clause 8, the National Petroleum Agency has a participating interest of fifteen percent (15%).

10. RECOVERY OF OPERATING COSTS AND SHARING OF PETROLEUM PRODUCTION

10.1 The allocation of Available Crude Oil shall be calculated on a Contract Area basis for Royalty Oil, Cost Oil and Profit Oil. This allocation of Available Crude Oil shall be in accordance with the Accounting Procedures, the Allocation and Lifting Procedures and this Clause 10 as follows:

- (a) Royalty Oil shall be allocated to the State from the first day of Production, based on the daily total of Available Crude Oil from the Contract Area, set at a rate of 2%;
- (b) Cost Oil shall be allocated to the Contractor in such quantum as will generate an amount of Proceeds sufficient for recovery of Operating Costs in the Contract Area. All costs will be recovered in United States dollars through Cost Oil allocation;
- (c) Cost Oil shall be not more than eighty percent (80%) of Available Crude Oil in the Contract Area after deduction of Royalty Oil in any accounting period;
- (d) Profit Oil, being the balance of Available Crude Oil after deducting Royalty Oil and Cost Oil shall be allocated to each Party based on the pre-tax, nominal rate of return calculated on a quarterly basis for the Contract Area in accordance with the following sliding scale:

Contractor's Rate of Return for Contract Area (% per annum)	Government Share of Profit Oil	Contractor Share of Profit Oil
<19%	0%	100%
>=19 %< 22%_	10%	90%
>=22%<26 %	20%	80%
>=26%<29%	40%	60%
>=29%	50%	50%

10.2 Beginning at the date of Commercial Discovery, Contractor's rate of return shall be determined at the end of each Quarter on the basis of the accumulated compounded net cash flow for the Contract Area, using the following procedure:

- (a) The Contractor's net cash flow for the Contract Area for each Quarter is:

- (i) The sum of Contractor's Cost Oil and share of Contract Area Profit Oil regarding the Petroleum actually lifted in that Quarter at the Realizable Price;
 - (ii) Minus Operating Costs.
- (b) For this computation, neither any expenditure incurred prior to the date of Commercial Discovery for the Contract Area nor any Exploration Expenditure shall be included in the computation of the Contractor's net cash flow.
- (c) The Contractor's net cash flows for each Quarter are compounded and accumulated for the Contract Area from the date of the Commercial Discovery according to the following formula:

$$\text{ACNCF (Current Quarter)} = (\text{100\%} + \text{DQ}) \times \text{ACNCF (Previous Quarter)} + \text{NCF (Current Quarter)} \text{ 100\%}$$

where:

ACNCF = accumulated compounded net cash flow

NCF = net cash flow

DO = quarterly compound rate (in percent)

The calculation will be made using quarterly compound rates (in percent) of 4.44%, 5.09%, 5.95%, and 6.57%, which correspond to annual compound rates ("DA") of 19%, 22%, 26%, and 29%, respectively.

- (d) The Contractor's rate of return in any given Quarter for the Contract Area shall be deemed to be between the largest DA which yields a positive or zero ACNCF and the smallest DA which causes the ACNCF to be negative.
- (e) The sharing of Profit Oil from the Contract Area between the State and the Contractor in a given Quarter shall be in accordance with the scale in Clause 10.1(d) above using the Contractor's deemed rate of return as per paragraph (d) in the immediately preceding Quarter.
- (f) In the Contract Area, it is possible for the Contractor's deemed rate of return to decline as a result of negative cash flow in a Quarter with the consequence that Contractor's share of Profit Oil from the Contract Area would increase in the subsequent Quarter.
- (g) Pending finalization of accounts, Profit Oil from the Contract Area shall be shared on the basis of provisional estimates, if necessary, of deemed rate of return as approved by the National Petroleum Agency. Adjustments shall be effected with the procedure subsequently to be adopted by the National Petroleum Agency,

10.3 The quantum of Available Crude Oil to be allocated to each Party under this Contract shall be determined at the Delivery Point.

- 10.4 Each Party shall lift and dispose of its allocation of Available Crude Oil in accordance with the Allocation and Lifting Procedures. In the event of any reconciliation, the records of the National Petroleum Agency shall be the official, final and binding records.
- 10.5 Allocation of Royalty Oil and the State's Profit Oil shall be in the form of delivery of Production of Petroleum to the National Petroleum Agency and the National Petroleum Agency or other appropriate authority shall issue receipts for such delivery within thirty (30) days of lifting such Royalty Oil and Profit Oil. These receipts are issued by the National Petroleum Agency or other appropriate authority on behalf of the Government of Sao Tome and Principe.
- 10.6 Any Party may, at the request of any other Party, lift such other Party's Available Crude Oil pursuant to Clause 10.3 and the lifting Party within thirty (30) days from the end of the month in which the lifting occurred shall transfer to the account of the non-lifting Party the Proceeds of the sale to which the non-lifting Party is entitled. Overdue payments shall bear interest at the rate of LIBOR plus two percent (2%).
- 10.7 The State may sell to the Contractor all or any portion of its allocation of Available Crude Oil from the Contract Area under mutually agreed terms and conditions.
- 10.8 The Parties shall meet as and when agreed in the Allocation and Lifting Procedures to reconcile all Petroleum produced, allocated and lifted during the period in accordance with the Allocation and Lifting Procedures.
- 10.9 Notwithstanding the above, in lieu of lifting the State's Profit Oil and/or Royalty Oil, the State, upon one hundred eighty (180) days advance notice to the Operator issued by the National Petroleum Agency, may elect to receive the State's allocation of Profit Oil and/or Royalty Oil in cash based on the Realizable Price rather than through lifting regardless of whether or not the Contractor sells the State's Profit Oil and/or Royalty Oil to a third party. If the State elects to receive cash in lieu of lifting, the Operator shall lift the State's allocation of Profit Oil and/or Royalty Oil and pay into the National Petroleum Account cash in respect of such lifting within thirty (30) days from the end of the month in which the lifting occurred. Every one hundred eighty (180) days, the State may elect to have an entity designated by the State to resume lifting the State's allocation of Profit Oil and/or Royalty Oil upon one hundred eighty (180) days' notice to the Operator prior to the date the State elects to have an entity designated by the State to resume lifting.

11. VALUATION OF CRUDE OIL

- 11.1 Unless a pre-marketing plan is agreed, and save as otherwise provided in this Contract, Crude Oil shall be valued in accordance with the following procedures:
 - (a) On the attainment of commercial production of Crude Oil, each Party shall engage the services of an independent laboratory of good repute to undertake a qualitative and quantitative analysis of such Crude Oil.

- (b) A trial marketing period shall be designated which shall extend for the first six (6) month period during which a new stream is lifted or for the period of time required for the first ten (10) liftings, whichever is longer. During the trial marketing period the Parties shall:
- (i) collect samples of the new Crude Oil upon which the qualitative and quantitative analysis shall be performed as provided in Clause 11.1(a);
 - (ii) determine the approximate quality of the new Crude Oil by estimating the yield values from refinery modeling;
 - (iii) market in accordance with their entitlement to the new Crude Oil and to the extent that one Party lifts the other Party's allocation of Available Crude Oil, payments therefor shall be made by the buyers to the Operator which will be responsible for distributing to the other Parties in accordance with their entitlement, and Cost Oil and Profit Oil and the Contractor's accounting shall reflect such revenues, in accordance with Clause 10;
 - (iv) provide information to a third party who shall compile the information and maintain all individual Party information confidential with regard to the marketing of the new Crude Oil including documents which verify the sales price and terms of each lifting; and
 - (v) apply the actual F.O.B. sales price to determine the value for each lifting which F.O.B. sales pricing for each lifting shall continue, as the Realizable Price, after the trial marketing period until the Parties agree to a valuation of the new Crude Oil but in no event longer than ninety (90) days after conclusion of the trial marketing period.
- (c) As soon as practicable but in any event not later than sixty (60) days after the end of the trial marketing period, the Parties shall meet to review the qualitative and quantitative analysis, yield and actual sales data. The Realizable Price shall be based on a single weighted average price for all Available Crude Oil in the month, based on the international FOB market price at the Delivery Point. It is the intent of the Parties that such price shall reflect the true market value based on arm's length transactions for the sale of the new Crude Oil to independent parties.
- (d) Upon the conclusion of the trial marketing period, the Parties shall be entitled to lift their allocation of Available Crude Oil pursuant to Clause 10.3 and the Allocation and Lifting Procedures.
- (e) When a new Crude Oil stream is produced from the Contract Area and is commingled with an existing Crude Oil produced which has an agreed Realizable Price basis then such basis shall be applied to the extent practicable for determining the Realizable Price of the new Crude Oil. The Parties shall meet and mutually agree on any

appropriate modifications to such agreed Realizable Price, which may be required to reflect any change in the market value of the Crude Oils as a result of commingling.

- 11.2 If the National Petroleum Agency or the Contractor are unable to agree the valuation of Crude Oil produced in the Contract Area for a particular month, then such Party may propose its alternative valuation to the other Parties. The Parties shall then meet within thirty (30) days of such proposal and mutually agree on such valuation with or without any appropriate modifications within thirty (30) days from such meeting, failing which the issue shall be referred to a mutually agreed independent expert who shall have the appropriate international oil and gas experience and who will resolve and settle the matter in a manner as he shall in his absolute discretion think fit and the decision of the expert shall be final and binding on the Parties. If after a period of thirty (30) days, the Parties are unable to agree on the identity of the expert, such expert shall be appointed by the International Centre for Expertise in accordance with the provisions for the appointment of experts under the Rules for Expertise of the International Chamber of Commerce.
- 11.3 Segregation of Crude Oils of different quality and/or grade shall, by agreement of the Parties, take into consideration, among other things, the operational practicality of segregation and the cost benefit analysis thereof. If the Parties agree on such segregation the following provisions shall apply:
- (a) any and all provisions of this Contract concerning valuation of Crude Oil shall separately apply to each segregated Crude Oil produced; and
 - (b) each grade or quality of Crude Oil produced and segregated in a given year shall contribute its proportionate share to the total quantity designated in such year as Royalty Oil, Cost Oil and Profit Oil.

12. PAYMENTS

- 12.1 The Contractor shall make all payments to the State for which it is liable under this Contract in United States dollars or such other currency agreed between the Contractor and the National Petroleum Agency. Payments shall be made into the National Petroleum Account in accordance with the Oil Revenue Law. Where a payment is made in currency other than United States dollars, the exchange rate used to convert the United States dollars liability into that currency shall be the exchange rate published on the date of payment by the Central Bank of Sao Tome and Principe for Dobras, and the Financial Times of London for other currencies. Overdue payments shall bear interest at the annual rate of LIBOR plus two percent (2%) from the due date until the date of actual payment.
- 12.2 The State shall make all payments to the Contractor for which it is liable under this Contract in United States dollars or such other currency agreed between the Contractor and the National Petroleum Agency. Where a payment is made in a currency other than United States dollars, the exchange rate used to convert the United States dollar liability into that currency shall be the exchange rate published on the date of payment by the Central Bank of Sao Tome and Principe for Dobras, and the Financial Times of London for other currencies.

Overdue payments shall bear interest at the annual rate of LIBOR plus two percent (2%) from the due date until the date of actual payment.

- 12.3 Any payments required to be made pursuant to this Contract shall be made within twenty (20) days following the end of the month in which the obligation to make such payments is incurred.
- 12.4 The Contractor shall have the right to pay their subcontractors and their expatriates, in currencies they have agreed, either in Sao Tome and Principe or abroad.

13. TITLE TO EQUIPMENT / DECOMMISSIONING

- 13.1 The Contractor shall finance the cost of purchasing or leasing all materials, equipment and facilities to be used in Petroleum Operations in the Contract Area pursuant to approved Work Programs and Budgets and such materials, equipment and facilities, if purchased, shall become the sole property of the State when the Contractor has recovered the cost of such materials, equipment and facilities (as the case may be) in accordance with this Contract and free of all liens and other encumbrances. Except as otherwise provided for in the Petroleum Law, the Contractor shall have the right to use, free of any additional charge, all of materials, equipment and facilities exclusively for Petroleum Operations in the Contract Area during the term of this Contract and any extensions thereof. The State, including the National Petroleum Agency, shall have the right to use all such materials, equipment and facilities in the Contract Area during the term of this Contract and any extensions thereof and such use shall be subject to terms and conditions agreed by the Parties, provided that it is understood that Petroleum Operations in the Contract Area hereunder shall take precedence over such use by the State or the National Petroleum Agency.

Should the State or the National Petroleum Agency desire to use such materials, equipment and facilities outside the Contract Area, such use shall be subject to terms and conditions agreed by the Parties, provided that it is understood that Petroleum Operations in the Contract Area hereunder shall take precedence over such use by the State or the National Petroleum Agency. The Contractor shall only lease materials, equipment and facilities with the approval of the National Petroleum Agency, such approval not to be unreasonably withheld.

- 13.2 The Contractor's right to use such cost recovered purchased materials, equipment and facilities shall cease with the termination or expiration (whichever is earlier) of this Contract, including any extensions hereof.
- 13.3 The provisions of Clause 13.1 with respect to the title of property passing to the State shall not apply to leased equipment belonging to local or foreign third parties, and such equipment may be freely exported from the Territory of Sao Tome and Principe in accordance with the terms of the applicable lease.
- 13.4 Subject to Clause 13.1, all fixed assets purchased or otherwise acquired by the Contractor for the purposes of Petroleum Operations hereunder shall become the property of the State when the Contractor has recovered the cost of such materials, equipment and facilities (as

the case may be) in accordance with this Contract. Upon termination of this Contract, the Contractor shall hand over possession of such fixed assets to the State in good working order and free of all liens and other encumbrances.

13.5 During the term of this Contract, any agreed sales of equipment, land, fixed assets, materials and machinery acquired for the purpose of Petroleum Operations shall be conducted by the Contractor on the basis of the procedure for sale of assets as set forth in Schedule 5, subject to the consent of the National Petroleum Agency.

13.6 **Decommissioning**

The expenditure for Decommissioning will be estimated on the basis of technical studies undertaken by the Contractor to be agreed by the National Petroleum Agency as part of each Field Development Program and revised as necessary.

13.7 Unless otherwise agreed with the National Petroleum Agency, the procedure for the Contractor providing funds to meet its Decommissioning obligations shall be as follows:

(a) an amount shall be established on a Contract Area basis, commencing with effect from the fourth (4th) anniversary after the start of commercial production, on a unit of production basis as follows:

DP = (PVDC – DF) * (P / RP), where:

DP = Decommissioning provision for the period (millions of US dollars)

PVDC = Present Value of Decommissioning costs (millions of US dollars)

DF = Balance of Decommissioning fund at the start of the period (millions of US dollars)

P = Crude Oil production in the period (millions of Barrels)

RP = Estimated remaining recoverable Crude Oil (millions of Barrels) from the Contract Area

(b) All Decommissioning provisions shall be held in a Decommissioning reserve fund, which shall be an interest bearing escrow account jointly established by the Parties at a first class commercial bank or other financial institution in accordance with the Petroleum Law (the “Decommissioning Reserve Fund”). The bank or financial institution shall have a long term rating of not less than “A minus” by Standard and Poor’s Corporation or an “A3” rating by Moody’s Investor Service or a comparable rating by another mutually agreed rating service.

(c) For the purposes of calculating the present value of Decommissioning costs, the following formula shall be used:

PVDC = $EDC / (1 + i)^n$, where:

PVDC = present value of Decommissioning costs

EDC = estimated value of Decommissioning costs in nominal terms at the expected date of Decommissioning

i = interest rate applicable to the escrow account in the current period

n = number of Years between current period and expected date of Decommissioning

- 13.8 The Decommissioning Reserve Fund shall be used solely for the purposes of paying for Decommissioning activities. No Party may mortgage, pledge, encumber or otherwise use such Decommissioning Reserve Fund for any purpose whatsoever except as expressly provided herein or in the Petroleum Law. The Decommissioning Reserve Fund may be invested in investments approved in advance by the Contractor and the National Petroleum Agency.
- 13.9 The Contractor shall annually meet any shortfall between the actual Decommissioning costs and the Decommissioning Reserve Fund for the Contract Area, such amount to be deposited into the escrow account within thirty (30) days after the end of each Calendar Year.
- 13.10 Any balance remaining in the Decommissioning Reserve Fund after all Decommissioning costs in the Contract Area have been met shall be distributed between the National Petroleum Agency and the Contractor in the same proportion as the allocation of Available Crude Oil at the time of Decommissioning operations.
- 13.11 Decommissioning expenditures incurred under these Decommissioning provisions are both cost recoverable as Contract Area non-capital costs under the Accounting Procedures and deductible for Tax purposes under the Petroleum Taxation Law.

14. EMPLOYMENT AND TRAINING OF NATIONALS OF THE STATE

- 14.1 Each Calendar Year, the Contractor shall submit a detailed program for recruitment and training for the following Calendar Year in respect of its personnel from Sao Tome and Principe in accordance with the Petroleum Law.
- 14.2 Qualified nationals from Sao Tome and Principe shall be employed in all nonspecialized positions.
- 14.3 Qualified nationals from Sao Tome and Principe shall also be employed in specialized positions such as those in exploration, drilling, engineering, production, environmental safety, legal and finance. The Contractor shall have the right, subject to applicable laws, rules and regulations, to employ non-nationals of Sao Tome and Principe in such specialized positions where qualified individuals from Sao Tome and Principe are not available, provided

that the Contractor shall recruit and train nationals from Sao Tome and Principe for such specialized positions, such that the number of expatriate staff shall be kept to a minimum.

- 14.4 Pursuant to Clause 9.2(k), qualified competent professionals of the National Petroleum Agency shall be assigned to work with the Contractor and such personnel and the Contractor's national personnel from Sao Tome and Principe shall not be treated differently with regard to salaries and other benefits. The Contractor and the National Petroleum Agency shall mutually agree on the numbers of National Petroleum Agency's staff to be assigned to Petroleum Operations. The costs and expenses of such National Petroleum Agency personnel shall be included in Operating Costs. The Contractor shall not be liable for any damages resulting from the Gross Negligence or Willful Misconduct of any National Petroleum Agency employees assigned to work for the Contractor.
- 14.5 The Parties shall mutually agree on the organizational chart of the Contractor which shall include nationals of Sao Tome and Principe in key positions.
- 14.6 No Sao-Tomean who is employed by the Contractor shall be dismissed without the prior written approval of the National Petroleum Agency, except in the case of a serious misbehavior on the part of such employee, in which case a prior notice of the dismissal to the National Petroleum Agency will be required. For the purposes of this clause, a serious misbehavior means serious inadequate conduct of the employee which corresponds to a violation of the employee's duties under the applicable Sao Tome and Principe labor legislation, which has been investigated and proved by documentary evidence.
- 14.7 The Contractor shall spend point twenty-five percent (0.25%) of the Operating Costs in each Year of the Exploration Period subject to a minimum of US\$250,000 (two hundred and fifty thousand United States dollars) and a maximum of US\$300,000 (three hundred thousand United States dollars) in any Calendar Year on scholarships for the training of nationals of Sao Tome and Principe at institutions to be selected by the National Petroleum Agency subject to compliance with the laws applicable to each Party and appropriate due diligence by the Parties. In connection with the review of the annual Work Program and Budgets, the National Petroleum Agency may propose additional budgets for training and the National Petroleum Agency and the Contractor shall mutually agree to such proposal.
- 14.8 The Contractor shall spend US\$500,000 (five hundred thousand United States Dollars) in each Calendar Year during the Production Period on scholarships for the training of nationals of Sao Tome and Principe at institutions to be selected by the National Petroleum Agency subject to compliance with the laws applicable to each Party and appropriate due diligence by the Parties. In connection with the review of the annual Work Program and Budgets, the National Petroleum Agency may propose additional budgets for training and the Parties may mutually agree to such proposal.
- 14.9 Amounts payable under Clauses 14.7 and 14.8 shall be recoverable as Contract Area non-drilling exploration costs under the terms of the Accounting Procedures.

15. BOOKS AND ACCOUNTS, AUDIT AND OVERHEAD CHARGES

15.1 Books and Accounts

- (a) The Contractor shall be responsible for keeping complete books of accounts consistent with Good Oil Field Practice and modern petroleum industry accounting practices and procedures. The books and accounts maintained under and in accordance with this Contract shall be kept in United States dollars. All other books of accounts as the Operator may consider necessary shall also be kept in United States dollars. Officials of the National Petroleum Agency and the Contractor shall have access to such books and accounts at all times upon reasonable notice.
- (b) All original books of account shall be kept at the registered address or principal place of business of the Contractor in Sao Tome and Principe.

15.2 Audits

- (a) The National Petroleum Agency shall have the right to inspect and audit the accounting records relating to this Contract or Petroleum Operations for any Calendar Year by giving thirty (30) days advance written notice to the Operator. The Operator may request additional time. The Operator shall facilitate the work of such inspection and auditing; provided, however, that such inspection and auditing shall be carried out within three (3) Calendar Years following the end of the Calendar Year in question. If not, the books and accounts relating to such Calendar Year shall be deemed to be accepted by the Parties. Any exception must be made in writing within ninety (90) days following the end of such audit and failure to give such written notice within such time shall establish the correctness of the books and accounts by the Parties.
- (b) The National Petroleum Agency may undertake the inspection and audit in Clause 15.2(a) either through its own personnel or through a qualified firm of chartered accountants appointed for such purpose by the National Petroleum Agency; provided, that transportation and per diem, in accordance with Sao-Tomean legislation, are borne by the Contractor. The National Petroleum Agency's own personnel shall be borne by the Contractor as a general administrative cost, as long as these are reasonable and are duly documented and shall be cost recoverable. Costs for the qualified firm of chartered accountants shall be borne by the National Petroleum Agency.
- (c) Notwithstanding that the said period of three (3) Calendar Years may have expired, if the Contractor or any of its employees or any Person acting on its behalf has acted with Gross Negligence or engaged in Willful Misconduct, the National Petroleum Agency shall have the right to conduct further audit to the extent required to investigate such Gross Negligence or Willful Misconduct in respect of any earlier periods and all costs of such investigation shall be for the account of the Contractor and shall not be cost recoverable.

15.3 Materials

The Contractor shall maintain physical and accounting controls of all materials and equipment in stock in accordance with Good Oil Field Practice. The Contractor **shall** make a total inventory at least once in a Calendar Year and shall give the National Petroleum Agency four (4) weeks' advance written notice prior to the taking of such inventory. The National Petroleum Agency and/or its external auditors shall be entitled to observe such inventory taking. The National Petroleum Agency may also carry out a partial or total check of such inventories at its own expense, whenever it considers it necessary, provided such exercise does not unreasonably disrupt Petroleum Operations.

15.4 Home Office Overhead Charges

The Contractor shall include the following percentages of total annual recoverable expenditures as overhead charges in calculating total Operating Costs.

Expenditure Tranche (USD million)	% of Recoverable expenditures
< 200	1.00%
the next 200 OR >200 and<400	0.75%
the next 100 OR >400 and<500	0.50%
≥ 500	0.00%

16. TAXES AND CUSTOMS

16.1 Tax

The Contractor shall be subject to Tax on income derived from Petroleum Operations in accordance with the Petroleum Taxation Law. Such Tax shall be payable by the Contractor in accordance with the Petroleum Taxation Law, except as otherwise provided in this Contract.

16.2 The Realizable Price established in accordance with Clause 11 shall be used in determining the amount of profits of a Contractor Party and its resulting Tax liability under the Petroleum Taxation Law.

16.3 Customs

In accordance with the Petroleum Law, the Contractor, in its own name or in the name of its sub-contractors or other Persons acting on its or their behalf, are entitled to import and export all goods, materials and equipment destined exclusively and directly for the execution of Petroleum Operations. Such goods, materials and equipment shall be exempt from all and any customs duties, notwithstanding the terms and conditions set out in the Petroleum Law or other applicable laws and regulations.

17. INSURANCE

- 17.1 The Contractor shall obtain and maintain such insurance as is customarily obtained in accordance with Good Oil Field Practice with respect to Petroleum Operations with an insurance company of good repute approved by the National Petroleum Agency, in the names of the Parties and with limits of liability not less than those required in accordance with Good Oil Field Practice. The premium for such policies shall be included in Operating Costs. All policies shall name the National Petroleum Agency as a co-insured with a waiver of subrogation rights in favor of the Contractor. Without prejudice to the generality of the foregoing, such insurance may cover:
- (a) any loss or damage to all assets used in Petroleum Operations;
 - (b) pollution caused in the course of Petroleum Operations for which the Contractor or the Operator may be held responsible;
 - (c) property loss or damage or bodily injury suffered by any third party in the course of Petroleum Operations for which the Contractor, the Operator, the State or the National Petroleum Agency may be held liable;
 - (d) the cost of removing wrecks and cleaning up operations following an accident in course of Petroleum Operations; and
 - (e) the Contractor's and/or the Operator's liability to its employees and other persons engaged in Petroleum Operations.
- 17.2 In case of any loss or damage to property, all amounts paid by an insurance company shall be received by the Contractor for the conduct of Petroleum Operations. The Contractor shall determine whether the lost or damaged property should be repaired replaced or abandoned. If the decision is to repair or replace the property in question, the Contractor shall immediately take steps to replace or repair such lost or damaged property. Any excess cost of repair or replacement above the amount reimbursed by the insurance company shall be regarded as an Operating Cost. If the cost of repair is less than the amount reimbursed by the insurance company, the difference shall be deducted from Operating Costs. If the decision is to neither repair nor replace then the proceeds of any coverage shall be credited to Operating Costs. In the event that the loss or damage is attributable to the Contractor's Gross Negligence or Willful Misconduct, the excess cost of replacement or repair shall not be reimbursed as an Operating Cost.
- 17.3 The Contractor shall obtain and maintain an insurance policy covering damage caused to third parties as provided in Clause 17.1(c) as a direct or indirect result of Petroleum Operations under this Contract.
- 17.4 All insurance policies obtained and maintained pursuant to this Clause 17 shall be based upon Good Oil Field Practice and shall be taken out in Sao Tome and Principe, except for those concerning risks for which the Contractor cannot obtain local coverage with an insurance company holding a long term rating not inferior to A minus by Standard and Poor's Corporation or an A3 rating by Moody's Investor Service or an equivalent rating by any

other mutually agreed rating service, in which case it shall be taken out outside of the Territory of Sao Tome and Principe.

- 17.5 In entering into contracts with any sub-contractor or other Person for the performance of Petroleum Operations, the Contractor shall require, whenever reasonably practicable, such sub-contractor or other Person to take out adequate insurance in accordance with this Clause 17 and to properly indemnify the State and its organs and agencies and the Contractor for any damage done and to fully indemnify and hold the State and its organs and agencies and the Contractor harmless against claims from any third parties.
- 17.6 The Contractor shall also maintain all other insurance policies required under the laws of Sao Tome and Principe.

18. CONFIDENTIALITY AND PUBLIC ANNOUNCEMENTS

- 18.1 Subject to Clauses 18.4 and 18.5, the Contractor and the National Petroleum Agency shall keep information furnished to each other in connection with Petroleum Operations and all plans, maps, drawings, designs, data, scientific, technical and financial reports and other data and information of any kind or nature relating to Petroleum Operations including any discovery of Petroleum as strictly confidential and shall ensure that their entire or partial contents shall under no circumstances be disclosed in any announcement to the public or to any third party without the prior written consent of the other. With regard to data about aspects of geology, reservoir engineering or production engineering, reports or other material submitted to public authorities, the confidentiality obligations shall have the duration specified in Clause 18.3.

The provisions of this Clause 18 shall not apply to disclosure to:

- (a) Affiliates;
- (b) sub-contractors, auditors, financial consultants or legal advisers, provided that such disclosures are required for the effective performances of the aforementioned recipients' duties related to Petroleum Operations and provided further that they are under a similar undertaking of confidentiality as that contained in this Clause 18;
- (c) comply with statutory obligation or the requirements of any governmental agency or the rules of a stock exchange on which a Party's or its Affiliates' stock is publicly traded in which case the disclosing Party will notify the other Party of any information so disclosed prior to such disclosure;
- (d) financial institutions involved in the provision of finance for the Petroleum Operations hereunder provided, in all such cases, that the recipients of such data and information agree in writing to keep such data and information strictly confidential;

- (e) a bona fide third party purchaser provided that such third party executes an undertaking similar to the undertaking contained in this Clause 18 to keep the information disclosed to it strictly confidential; and
 - (f) in accordance with and as required by the Oil Revenue Law.
- 18.2 The Parties shall take necessary measures in order to make their directors, officers, employees, agents and representatives comply with the same obligation of confidentiality provided for in this Clause 18.
- 18.3 The provisions of this Clause 18 shall terminate five (5) years after the termination or expiration of this Contract.
- 18.4 Subject to Clause 18.1(c), the Contractor shall use best endeavors to ensure that it, its Affiliates and Associates and each of their respective directors, officers, servants, employees and agents shall not make any reference in public or publish any notes in newspapers, periodicals or books nor divulge, by any other means whatsoever, any information on the activities under the Petroleum Operations, or any reports, data or any facts and documents that may come to their knowledge by virtue of this Contract, without the prior written consent of the National Petroleum Agency.
- 18.5 No announcement of a Discovery or Commercial Discovery may be made by the Contractor otherwise than in accordance with this Clause 18 and unless and until the Government has made a prior announcement of such Discovery or Commercial Discovery in the national and international media.

19. ASSIGNMENT

- 19.1 Subject to Clause 19.5, the Contractor may not sell, assign, transfer, encumber, convey or otherwise dispose of part or all of its rights, interest and/or obligations under this Contract to any third party without the prior written consent of the National Petroleum Agency.
- 19.2 All changes in Control of a Contractor Party shall be subject to the prior approval of the Government. Where a change in Control occurs without the prior approval of the Government, the Government may terminate this Contract in respect of such Contractor Party. This Clause 19.2 does not apply if the change of Control is the direct result of an acquisition of shares or other securities of a publicly traded company on a recognized stock exchange. Change of Control includes a Person ceasing to be Controlled (whether or not another Person becomes in Control), and a Person obtaining Control (whether or not another Person was in Control).
- 19.3 When an assignment, transfer or other disposition of any rights under this Contract, other than a transfer pursuant to Clause 19.5, is anticipated, the assigning Contractor Party must notify in writing the National Petroleum Agency as soon as practicable. The Government, acting through the National Petroleum Agency or other nominee, shall then have the right to purchase the assigning Contractor Party's interest under this Contract proposed to be

assigned, transferred or otherwise disposed of on the same terms and conditions as those offered to a bona fide transferee provided that it gives notice to the Contractor Party of its decision to exercise such right within thirty (30) days of the Contractor Party's notice pursuant to the first sentence above. This right is in addition to any right of pre-emption granted under an applicable Joint Operating Agreement.

- 19.4 If the written consent by the National Petroleum Agency is granted, the assigning Contractor Party shall be relieved of its obligation and liabilities under this Contract to the extent that the assignee or transferee accepts the assumption of such obligations and liabilities under this Contract.
- 19.5 The Contractor may sell, assign, transfer, convey or otherwise dispose of part or all of its rights and interest under this Contract to an Affiliate with a prior written notice to the National Petroleum Agency, provided that the relevant Contractor Party and the Affiliate shall remain jointly and severally liable for all obligations and liabilities under this Contract notwithstanding such assignment, transfer, conveyance or other disposal. If the Affiliate shall cease at any time to be an Affiliate of the transferring Contractor Party, the Affiliate shall immediately re-assign or re-transfer to the original Contractor Party all rights and obligations transferred to it under this Contract. Transfers of interests to an Affiliate of a Contractor Party shall not change the nationality of the Contractor Party for the purpose of determining, jurisdiction of any arbitration tribunal.
- 19.6 Any request for consent pursuant to Clause 19.1 made by the Contractor to the National Petroleum Agency shall include the assignment agreement and other relevant information relating to financial and corporate standing of the assignee, and its capability to contribute to the Petroleum Operations under this Contract as required under the Petroleum Law.

20. TERMINATION

- 20.1 The State, by decision of the Government, shall be entitled to terminate this Contract with the Contractor (or in respect of any Party making up the Contractor) if any of the following events occur:
- (a) the Contractor defaults in the performance of any of its material obligations set forth in Clause 9;
 - (b) the Contractor fails to execute the Minimum Work Obligations;
 - (c) the Contractor assigns, transfers, conveys, encumbers or other disposes of its rights, interests and/or obligations under this Contract otherwise than in accordance with Clause 19 and/or the Petroleum Law;
 - (d) the Contractor is adjudged insolvent or bankrupt by a court of competent jurisdiction or acknowledges or claims that it is unable to pay its debts or makes an application for bankruptcy protection that is not discharged within thirty (30) days;

- (e) the Contractor ceases to carry on its business as carried on at the date of this Contract or liquidates or terminates its corporate existence;
- (f) the warranties made by the Contractor under Clause 24 are found to have been untrue when made;
- (g) the Contractor fails to make any payment to the State when due;
- (h) the Contractor fails to submit the performance bond or guarantee when due;
- (i) the Contractor fails to initiate field development and production in accordance to the time schedule outlined in the approved Field Development Program (Clause 5.1(e)), except if that occurs for acceptable and duly demonstrated reasons; or if, after production of Petroleum is initiated in the Contract Area, production of Petroleum ceases for a period of more than four (4) months for causes which are not acceptable, not attributable to Force Majeure or without the consent of the National Petroleum Agency; and
- (j) the events provided for in the articles 34, 35 or 36 of the Petroleum Law.

20.2 If the cause for termination is an event specified in Clause 20.1(a), (b), (f), (g), (h), (i) and/or (j) above, the National Petroleum Agency shall give written notice thereof to the Contractor requiring it to remedy such default within a period not more than thirty (30) days of receipt of the National Petroleum Agency's notice or such additional days as the National Petroleum Agency deems appropriate in the circumstances in its sole discretion. If upon the expiration of the said period such default has not been remedied or removed, the Government may, by written notice issued by the National Petroleum Agency to the Contractor, declare this Contract terminated.

20.3 Termination for any of the events specified in Clause 20.1(c), (d) and/or (e) above, shall be with immediate effect and the Government may, by written notice to the Contractor issued by the National Petroleum Agency, declare this Contract terminated. Termination as to one Contractor Party shall not constitute termination as to the other Contractor Party(ies).

20.4 Where this Contract is terminated with respect to only one Contractor Party, the State shall have the option to assume the interests, rights and obligations of such defaulting Contractor Party under this Contract. If the State elects not to exercise this option, the interests, rights and obligations shall be assigned to the remaining Contractor Parties who shall be liable jointly and severally.

20.5 In the event that any other Contractor Party(ies) fail to meet any and all liabilities of the terminated Contractor Party as provided in Clause 20.4, the State reserves the right to terminate this Contract, in respect of all other Contractor Parties upon written notice.

- 20.6 Without prejudice to all other rights of the State, the Contractor shall upon the termination of this Contract permit inspection, copying and auditing of its accounts and records for the Petroleum Operations by the National Petroleum Agency and/or its agents.
- 20.7 The Contractor shall have the right, at its sole discretion, to relinquish its rights and to terminate this Contract without further obligations or liabilities, upon completion of the stipulated Minimum Work Obligations and Minimum Financial Commitment at the end of any phase of the Exploration Period, upon giving a thirty (30) day advance notice to the National Petroleum Agency. This Clause 20.7 shall not release the Contractor from any unfulfilled obligations incurred prior to the termination of this Contract nor from any liabilities arising from acts or omissions taking place prior to the termination of this Contract.
- 20.8 This Contract shall automatically terminate if no Commercial Discovery is made in the Contract Area at the end of Exploration Period, as extended.

21. FORCE MAJEURE

- 21.1 Any failure or delay on the part of any Party in the performance of its obligations or duties (other than the obligation to pay money) under this Contract shall be excused to the extent attributable to Force Majeure. A Force Majeure situation includes delays, defaults or inability to perform under this Contract due to any event beyond the reasonable control of the Party claiming Force Majeure. Such event may be, but is not limited to, any act, event, happening or occurrence due to natural causes and acts or perils of navigation, fire, hostilities, war (whether declared or undeclared), blockade, labor disturbances, strikes riots, insurrection, civil commotion, quarantine restrictions, epidemics, storms, floods, earthquakes, accidents, blowouts and lightning.
- 21.2 If Petroleum Operations are delayed, curtailed or prevented by an event of Force Majeure, then the time for carrying out the obligation and duties thereby affected, and rights and obligations hereunder, shall be extended for a period equal to the period of such delay.
- 21.3 The Party who is unable to perform its obligations as a result of the Force Majeure shall promptly notify the other Parties not later than five (5) days after the establishment of the commencement of the event of Force Majeure, stating the cause, and the Parties shall do all that is reasonably within their powers to remove such cause.
- 21.4 The Contractor's failure or inability to find Petroleum in commercial quantities for reasons other than as specified in Clause 21.1 shall not be deemed an event of Force Majeure.

22. LAWS AND REGULATIONS

- 22.1 This Contract shall be governed by and construed in accordance with the laws of the Democratic Republic of Sao Tome and Principe.
- 22.2 Subject to Clause 25.8 and to the principles of public international law, no term of this Contract shall prevent or limit the State from exercising its sovereign rights.

23. NATURAL GAS

- 23.1 If the Contractor discovers a commercially viable quantity of Natural Gas, the Contractor shall have the right to develop, commercialize, recover the costs and share in the profits of a development of such Natural Gas under this Contract on terms to be mutually agreed. Such terms when agreed shall become an integral part of this Contract.
- 23.2 Notwithstanding Clause 23.1, the Contractor may utilize, at no cost, Natural Gas required as fuel for Petroleum Operations such as gas recycling, gas injection, gas lift or any other Crude Oil enhancing recovery schemes, stimulation of wells necessary for maximum Crude Oil recovery in the field discovered and developed by the Contractor and such usage shall be with prior written consent of the National Petroleum Agency, which consent shall not be unreasonably withheld. This shall be included in a Field Development Program.
- 23.3 The attainment of recovery of Crude Oil through an efficient, economic and technically acceptable method shall always be paramount in all decisions regarding Associated Natural Gas. However, prior to the commencement of Production of Crude Oil from the Contract Area, the Contractor shall submit to the National Petroleum Agency, a program for the utilization of any Associated Natural Gas that has been discovered in the Contract Area, which shall be subject to the approval of the National Petroleum Agency.
- 23.4 If the Contractor discovers sufficient volumes of Unassociated Natural Gas that could justify commercial development, the Contractor shall immediately report the volume of potentially recoverable Natural Gas to the National Petroleum Agency and shall promptly investigate and submit proposals to the National Petroleum Agency for the commercial development of such Natural Gas taking in consideration local strategic needs as may be identified by the National Petroleum Agency, within two (2) years of the date of the relevant discovery. Any cost in respect of such proposals or investigation presented by the Contractor to the National Petroleum Agency shall be included in Operating Costs. The Contractor and the National Petroleum Agency will determine the plan and time needed, which shall be no more than five (5) years, unless otherwise agreed by the National Petroleum Agency, to progress a commercial development project, which shall include the terms for recovery of Operating Costs and sharing of Natural Gas production, which terms when agreed shall form an integral part of this Contract. If the Contractor fails to justify a commercial development within the agreed timeframe and if the National Petroleum Agency determines that a sufficient volume of Unassociated Natural Gas exists, the National Petroleum Agency shall have the right to propose to the Contractor a commercial development of such Natural Gas. The Contractor shall have the right to participate in the commercial development under terms pursuant to Clause 23.1. If the Contractor declines to participate in the commercial development of such Natural Gas as presented by the National Petroleum Agency and if the Field Development Program does not hinder or jeopardize current Petroleum Operations, the National Petroleum Agency may develop the Natural Gas in the manner presented to the Contractor.

24. REPRESENTATIONS AND WARRANTIES

- 24.1 In consideration of the State entering into this Contract, the Contractor hereby represents and warrants to the State as follows:
- (a) The Contractor has the power to enter into and perform this Contract and has taken all necessary action to execute, deliver and perform this Contract in accordance with the terms herein contained.
 - (b) The execution, delivery and performance of this Contract by the Contractor will not contravene, any of the provisions of:
 - (i) any law or regulations or order of any governmental authority, agency or court applicable to or by which the Contractor may be bound; and
 - (ii) any mortgage, contract or other undertaking or instrument to which the Contractor is a party or which is binding upon it or any of its respective revenues or assets.
 - (c) Full disclosure has been made to the National Petroleum Agency.
 - (d) As of the Effective Date all facts in relation to the Contractor and its financial condition and affairs as are material and ought properly to be made known to the National Petroleum Agency and have been made so known in full.
 - (e) The Contractor, together with its Affiliates, has sufficient funds both in foreign and local currencies to carry out Petroleum Operations under this Contract.
 - (f) The representations and warranties set out in this Clause 24 shall remain in full force and effect for the duration of this Contract.

- 24.2 In consideration of the Contractor entering into this Contract, the State hereby represents and warrants to the Contractor as follows:

The State warrants the Contract Area that is the subject matter of this Contract is within the territorial jurisdiction of the Democratic Republic of Sao Tome and Principe.

25. CONCILIATION AND ARBITRATION

- 25.1 Should there be a difference or dispute between the Parties concerning the interpretation or performance of this Contract (a “**Dispute**”) such that the Dispute cannot be resolved by mutual agreement, the Parties may refer the matter to an independent expert for an opinion to assist the Parties in reaching a mutual agreement.

- 25.2 Where an independent expert is used,, the National Petroleum Agency and the Contractor shall furnish the expert with all written information which he may reasonably require. The cost of the services of the expert, if appointed, shall be shared equally between the National Petroleum Agency and each Contractor Party.

- 25.3 If the Dispute cannot be settled by amicable agreement or through an independent expert or if a Party does not agree to the use of an independent expert, then either the National Petroleum Agency or the Contractor may serve on the other a demand for arbitration in accordance with this Clause 25. The procedures set forth in this Clause 25 shall be the exclusive procedures for arbitration of any and all Disputes arising under or involving the interpretation of this Contract. No other arbitration tribunal under any other procedure, agreement or international treaty shall have jurisdiction over such disputes between the Parties.
- 25.4 If the relevant Parties have not reached a mutual agreement after three (3) months of the date of a notice of a Dispute by one Party to another, unless the Parties to the Dispute mutually agree to an extension, any Party to the Dispute may refer the Dispute for resolution by final and binding arbitration to the International Centre for the Settlement of Investment Disputes (the “Centre” or “ICSID”) established by the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington, March 18, 1965 (the “ICSID Convention”); to the Additional Facility of the Centre, if the Centre is not available; or in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), if neither the Centre nor the Additional Facility are available.

25.5 **Seat and Language of Arbitration**

The seat of the arbitration shall be Geneva, Switzerland. The languages of the arbitration proceedings, and of all orders, decisions, and the award, shall be Portuguese and English.

25.6 **Number and Identity of Arbitrators**

The arbitral tribunal shall be constituted by three (3) arbitrators selected according to the following procedure:

- (i) The claimant and the respondent shall, within thirty (30) days from the day on which a request for arbitration has been submitted, appoint an arbitrator each (and if there is more than one claimant or more than one (1) respondent, then the claimants and/or the respondents collectively shall each appoint a single arbitrator), by giving notice in writing of such appointment to the Secretary-General of ICSID and the other Party or Parties to the Dispute.
- (ii) If either the claimant or the respondent fails to comply with the time limit in the preceding paragraph, the Chairman of the Administrative Council of ICSID shall appoint the arbitrator or arbitrators that have not yet been appointed, at the request of either the claimant or the respondent and after consulting the claimant and the respondent as far as possible. The Chairman of the Administrative Council of ICSID shall give notice in writing of such appointment or appointments to the Secretary-General of ICSID and the claimant and the respondent.

- (iii) The two (2) arbitrators so appointed shall, within thirty (30) days of their appointment, agree upon the person to be appointed as the President of the tribunal, and give notice of such appointment to the Secretary-General of ICSID and the claimant and the respondent.
- (iv) If the two (2) arbitrators fail to agree upon the person to be the President of the tribunal, the Chairman of the Administrative Council of ICSID shall appoint the President, at the request of either the claimant or the respondent, and after consulting the claimant and the respondent as far as possible. The Chairman of the Administrative Council of ICSID shall give notice in writing of such appointment to the Secretary-General of ICSID and the claimant and the respondent.
- (v) None of the arbitrators shall be a citizen of the countries of any of the Parties to the Dispute (or in the case where the Party is a company or another entity, any country or countries of nationality of such Party, including the country of its ultimate parent).

25.7 Rules of Arbitration

The arbitration procedures initiated under this Contract shall operate under the arbitration rules in effect for ICSID, the Additional Facility or UNCITRAL, as the case may be, at the time of the filing of the request for arbitration, which rules are deemed to be incorporated herein by reference in this Clause 25.

25.8 Binding Nature of Arbitration

The arbitration award shall be final and binding on the Parties and shall be immediately enforceable, notwithstanding the remedies provided for in the ICSID Convention and Arbitration Rules, in the Arbitration Rules of the Additional Facility of the Centre, or in the UNCITRAL Arbitration Rules, as appropriate. The Parties waive any right to refer any question of law, and any right of appeal on the law and/or merits to any court. It is expressly agreed that the arbitrators shall have no authority to award aggravated, exemplary or punitive damages. The Parties acknowledge that the rights and obligations hereunder are imminently of a commercial nature. The Parties waive any defense grounded on sovereign immunity regarding the validity of this arbitration clause or any decision issued in the arbitration.

25.9 Costs of Arbitration

The costs of arbitration shall be charged in accordance with the directions of the arbitration tribunal, failing which they shall be borne equally by the Parties to the Dispute. The costs of the Parties comprising the Contactor shall not be recoverable.

25.10 Payment of Awards

Any monetary award issued shall be expressed and payable in United States dollars.

26. EFFECTIVE DATE

- 26.1 This Contract shall come into force on the date (the “Effective Date”) of the instrument of ratification executed by the Prime-Minister on behalf of the Government. Record of such ratification shall be annexed to this Contract as proof of the Effective Date.
- 26.2 Failure by the Contractor to meet its obligation to pay the signature bonus in accordance with the terms of Clause 2.1 shall mean that this Contract shall be null and void.
- 27. REVIEW / RE-NEGOTIATION OF CONTRACT AND FISCAL TERMS**
- 27.1 The Parties agree that the commercial terms and conditions of this Contract have been negotiated and agreed having due regard to the existing fiscal terms in accordance with the provisions of the Petroleum Law and the Petroleum Taxation Law in force at the time of the Effective Date. If such fiscal terms are materially changed to the detriment of the Contractor, the Parties agree to review the terms and conditions of this Contract affected by such changes and to align such terms and conditions with the fiscal terms as at the Effective Date.
- 27.2 If at any time or from time to time, there is a change in legislation or regulations, or a change to the interpretation of such legislation or regulations, which materially affect the commercial benefit afforded to the Contractor under this Contract, the Parties will consult each other and shall agree to such amendments to this Contract as are necessary to restore as near as practicable such commercial benefits which existed under this Contract as of the Effective Date.
- 27.3 Where the parties cannot agree on new terms within one hundred and twenty (120) days of the Contractor’s request for review of the terms and conditions of the Contract affected by the changes, the matter may be submitted to arbitration pursuant to Clause 25.
- 28. OPERATOR**
- 28.1 BP is hereby designated as the Operator under this Contract to execute, for and on behalf of the Contractor, all Petroleum Operations in the Contract Area pursuant to and in accordance with this Contract and the Petroleum Law.
- 28.2 The Operator, for and on behalf of the Contractor, shall have the exclusive control and administration of Petroleum Operations under this Contract. The Operator, for and on behalf of the Contractor, and within the limits defined by the National Petroleum Agency, this Contract and the Petroleum Law, shall have the authority to execute all contracts, incur expenses, make commitments, and implement other actions in connection with the Petroleum Operations.
- 29. CONFLICT OF INTERESTS**
- 29.1 Each Party represents and warrants that it did not engage any person, firm or company as a commission agent for purposes of this Contract and that it has not given or offered to give nor will it give or offer to give to or to accept from (directly or indirectly) any person any bribe, gift, gratuity, commission or other thing of significant value, as an inducement or

reward for doing or forbearing to do any action or take any decision in relation to this Contract, or for showing or forbearing to show favor or disfavor to any person in relation thereto.

29.2 The Contractor further represents and warrants that no loan, reward, offer, advantage or benefit of any kind has been given to any public official or any person for the benefit of such public official or person or third parties, as consideration for an act or omission by such public official in connection with the performance of such person's duties or functions or to induce such public official to use his or her position to influence any act or decisions of the Administration with respect to this Contract. Any breach of this representation shall cause this Contract to be declared invalid and voidable by the State Administration.

30. NOTICES

30.1 Any notice or other communication required to be given by a Party to another shall be in writing (in Portuguese and English) and shall be considered as duly delivered if given by hand delivery in person, by courier or by facsimile at the following addresses:

Agência Nacional do Petróleo de São Tomé e Príncipe (ANP-STP)
Avenida Nações Unidas, 225
C.P.1048
Sao Tome, Sao Tome and Principe

Attention: Executive Director
Fax: +239-226937
Tel: +239-226940

THE CONTRACTOR

BP Exploration (STP) Limited
Chertsey Road
Sunbury-on-Thames
Middlesex TW16 7L
United Kingdom

Attention: Vice President, African New Ventures and General Manager, BP Exploration (STP) Limited

Kosmos Energy Sao Tome and Principe
c/o Circumference (Cayman)
P.O. Box 32322
4th floor, Century Yard
Cricket Square
Elgin Avenue
George Town
Grand Cayman, KY1, 1209

Attention: General Counsel
Fax: +1 214 445 9705

- 30.2 All notices and other communications shall be deemed to have been duly delivered upon actual receipt by the intended recipient.
- 30.3 Each Party shall notify the other promptly of any change in the above address.

31. LIABILITY

Where the Contractor is comprised of more than one Party, the liabilities and obligations of such Parties under this Contract shall be joint and several.

32. MISCELLANEOUS

- 32.1 No supplement or modification of any provision of this Contract shall be binding unless executed in writing by all Parties.
- 32.2 No waiver by any Party of any breach of a provision of this Contract shall be binding unless made expressly in writing. Any such waiver shall relate only to the breach to which it expressly relates and shall not apply to any subsequent or other breach.
- 32.3 The validity and effectiveness of this Contract shall be subject to the full compliance with all applicable administrative procedural rules relating to State contracting.
- 32.4 This Contract is prepared and filed in the Portuguese and English languages. In case of non-conformity, the Portuguese language version shall prevail.
- 32.5 This Contract shall be made public and a copy hereof shall be provided to the Public Registration and Information Office within ten (10) days from its execution.

IN WITNESS WHEREOF the Parties have caused this Contract to be executed the day and year first above written.

SIGNED AND DELIVERED for and on behalf of:

THE STATE represented by the
AGÊNCIA NACIONAL DO PETRÓLEO DE SÃO TOMÉ E PRÍNCIPE

By: /s/ Orlando Soosa Pontes
Name: Orlando Soosa Pontes
Designation: Executive Director

In the presence of:

Name: Alvaro Silva
Signature: /s/ Alvaro Silva
Designation: Legal and Economic Director

SIGNED AND DELIVERED for and on behalf of:
BP EXPLORATION (STP) LIMITED

By: /s/ I.J. Evans
Name: I.J. Evans
Designation: VP Africa New Ventures

In the presence of:

Name: P.D. Garforth-Bles
Signature: /s/ P.D. Garforth-Bles
Designation: Solicitor

SIGNED AND DELIVERED for and on behalf of:
KOSMOS ENERGY SAO TOME AND PRINCIPE

By: /s/ Jon W. Cappon
Name: Jon W. Cappon
Designation: VP & Country Manager

In the presence of:

Name: Alissa Eason
Signature: /s/ Alissa Eason
Designation: VP Legal

SCHEDULE 1

CONTRACT AREA

Block 13

Coordinate Reference System

The coordinate reference system (CRS) shall be defined as WGS 84 / UTM zone 32N (EPSG code 32632).

The Well Know Text (WKT) for WGS 84 / UTM zone 32N (EPSG code 32632) is as follows –

```
PROJCRS["WGS 84 / UTM zone 32N",  
  BASEGEODCRS["WGS 84",  
    DATUM["World Geodetic System 1984",  
      ELLIPSOID["WGS 84",6378137,298.257223563,LENGTHUNIT["metre",1.0]]],  
    CONVERSION["UTM zone 32N",  
      METHOD["Transverse Mercator",ID["EPSG",9807]],  
      PARAMETER["Latitude of natural origin",0,ANGLEUNIT["degree",0.0174532925]],  
      PARAMETER["Longitude of natural origin",9,ANGLEUNIT["degree",0.01745329252]],  
      PARAMETER["Scale factor at natural origin",0.9996,SCALEUNIT["unity",1.0]],  
      PARAMETER["False easting",500000,LENGTHUNIT["metre",1.0]],  
      PARAMETER["False northing",0,LENGTHUNIT["metre",1.0]],  
    CS[cartesian,2],  
    AXIS["easting (E) ",east,ORDER[1]],  
    AXIS["northing (N) ",north,ORDER[2]],  
    LENGTHUNIT["metre",1.0],  
    ID["EPSG",32632]]]
```

Boundary Definition

The boundary turning/corner points shall be defined by geographic coordinates (latitude and longitude) in the defined CRS.

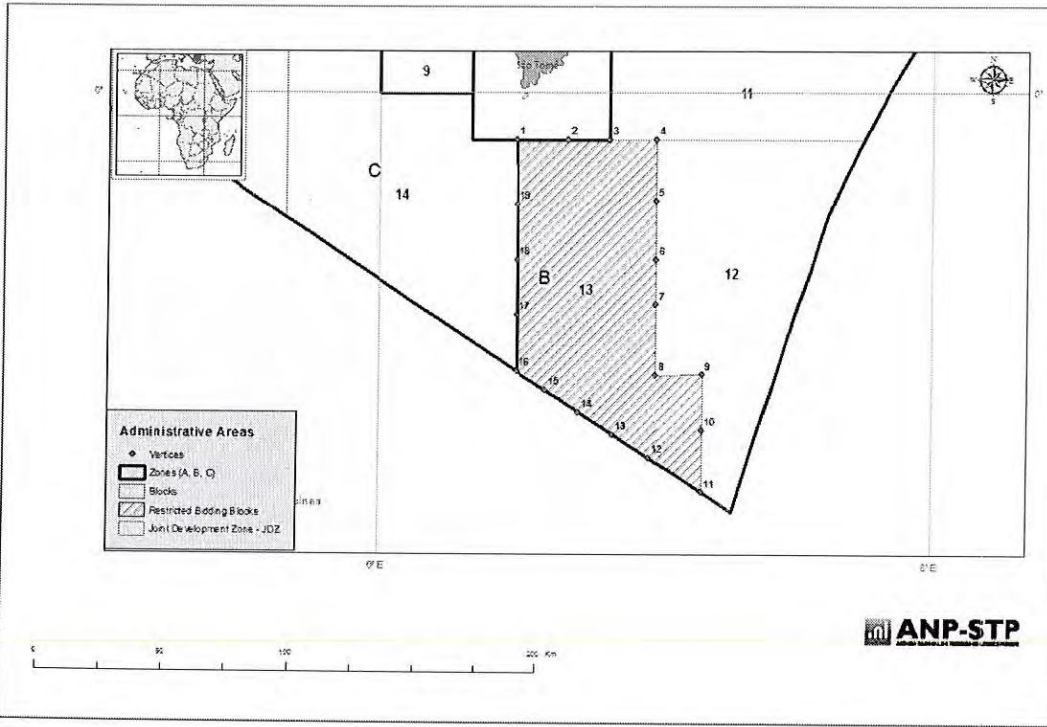
The lines between the turning/corner points shall be defined on the ellipsoid as a projected curve including parallels (line of equal latitude), meridians (line of equal longitude) and geodesic (shortest distance on the ellipsoid).

Boundary Turning/Corner Point Coordinates

Block 13						
WGS 84 / UTM zone 32N (EPSG code 32632)						
Point	DMS Latitude	DMS Longitude	DD Latitude	DD Longitude	Easting (X)	Northing (Y)
1	00° 10' 00.000"S	06° 30' 00.000"E	-0.1666666667	6.5000000000	221,724.854	-18,439.343
2	00° 10' 00.000"S	06° 41' 08.323"E	-0.1666666667	6.6856452778	242,400.816	-18,436.815
3	00° 10' 00.000"S	06° 50' 00.000"E	-0.1666666667	6.8333333333	258,847.392	-18,434.943
4	00° 10' 00.000"S	07° 00' 00.000"E	-0.1666666667	7.0000000000	277,405.497	-18,432.979
5	00° 23' 03.615"S	07° 00' 00.000"E	-0.3843375000	7.0000000000	277,409.539	-42,506.916
6	00° 35' 35.254"S	07° 00' 00.000"E	-0.5931261111	7.0000000000	277,416.417	-65,598.507
7	00° 45' 07.702"S	07° 00' 00.000"E	-0.7521394444	7.0000000000	277,423.627	-83,185.065
8	01° 00' 00.000"S	07° 00' 00.000"E	-1.0000000000	7.0000000000	277,438.264	-110,597.973
9	01° 00' 00.000"S	07° 10' 00.000"E	-1.0000000000	7.1666666667	295,991.735	-110,587.136
10	01° 11' 46.275"S	07° 10' 00.000"E	-1.1961875000	7.1666666667	296,005.044	-132,283.002
11	01° 24' 53.156"S	07° 10' 00.000"E	-1.4147655556	7.1666666667	296,022.672	-156,455.015
12	01° 17' 37.544"S	06° 58' 42.781"E	-1.2937622222	6.9785502778	275,073.281	-143,089.458
13	01° 12' 36.554"S	06° 50' 54.869"E	-1.2101538889	6.8485747222	260,596.677	-133,853.526
14	01° 07' 51.419"S	06° 43' 31.613"E	-1.1309497222	6.7254480556	246,881.402	-125,103.293
15	01° 03' 09.112"S	06° 36' 19.615"E	-1.0525311111	6.6054486111	233,512.982	-116,438.780
16	00° 59' 09.333"S	06° 30' 00.000"E	-0.9859258333	6.5000000000	221,764.658	-109,079.034
17	00° 47' 13.898"S	06° 30' 00.000"E	-0.7871938889	6.5000000000	221,749.805	-87,092.073
18	00° 35' 30.530"S	06° 30' 00.000"E	-0.5918138889	6.5000000000	221,738.447	-65,475.974
1	00° 10' 00.000"S	06° 30' 00.000"E	-0.1666666667	6.5000000000	221,724.854	-18,439.343

DMS – Degrees, Minutes and Seconds and DD – Decimal Degrees

Map (for purposes of illustration only)



SCHEDULE 2

ACCOUNTING PROCEDURES

1. GENERAL PROVISIONS

1.1 Definitions

These Accounting Procedures attached to and forming a part of the Contract are to be followed and observed in the performance of the Parties' obligations thereunder. The defined terms appearing herein shall have the same meaning as is ascribed to them in the Contract.

1.2 Accounts and Statements

The Contractor's accounting records and books shall be kept as provided under Clause 15 of the Contract in accordance with generally accepted and internationally recognized accounting standards, consistent with modern petroleum industry practices and procedures and in accordance with Good Oil Field Practice.

1.3 In the event of a conflict between the terms of these Accounting Procedures and the Contract, the terms of the Contract shall apply.

1.4 These Accounting Procedures may be amended from time to time by the mutual agreement of the Parties.

2. Operating Costs

2.1 Operating Costs shall be defined as all costs, expenses paid and obligations incurred in carrying out Petroleum Operations and shall consist of:

- (a) Contract Area Non-capital Costs;
- (b) Contract Area Capital Costs;
- (c) Contract Area Non-Drilling Exploration Costs; and
- (d) Contract Area Unsuccessful Exploration and Appraisal Costs.

Operating Costs shall be recorded separately for each Development Area and calculated on the basis of the Contract Area.

2.2 Contract Area Non-capital Costs

Contract Area Non-capital Costs means those Operating Costs incurred that are chargeable to the current year's operations. Contract Area Non-capital Costs include the following:

- (a) General office expenses – office, services and general administration services pertaining to Petroleum Operations including services of legal, financial, purchasing,

insurance, accounting, computer, and personnel department; communications, transportation, rental of specialized equipment, scholarships charitable contributions and educational awards.

- (b) Labor and related costs – salaries and wages, including bonuses, of employee; of the Contractor who are directly engaged in the conduct of Petroleum Operations, whether temporarily or permanently assigned, irrespective of the location of such employee including the costs of employee benefits, customary allowance and personal expenses incurred under the Contractor's practice and policy, and amounts imposed by applicable governmental authorities which an applicable to such employees.

These costs and expenses shall include:

- (i) cost of established plans for employee group life insurance, hospitalization, pension, retirement, savings and other benefit plans;
 - (ii) cost of holidays, vacations, sickness and disability benefits;
 - (iii) cost of living, housing and other customary allowances;
 - (iv) reasonable personal expenses, which are reimbursable under the Contractor's standard personnel policies;
 - (v) obligations imposed by governmental authorities;
 - (vi) cost of transportation of employees, other than as provided in paragraph (c) below, as required in the conduct of Petroleum Operations; and
 - (vii) charges in respect of employees temporarily engaged in Petroleum Operations, which shall be calculated to reflect the actual costs thereto during the period or periods of such engagement.
- (c) Employee relocation costs – costs for relocation, transportation and transfer of employees of the Contractor engaged in Petroleum Operations including the cost of freight and passenger service of such employees' families and their personal and household effects together with meals, hotel and other expenditures related to such transfer incurred with respect to:
- (i) employees of the Contractor within Sao Tome and Principe including expatriate employees engaged in Petroleum Operations;
 - (ii) transfer to Sao Tome and Principe for engagement in Petroleum Operations;
 - (iii) relocation costs and other expenses incurred in the final repatriation or transfer of the Contractor's expatriate employees and families in the case of such employees' retirement, or separation from the Contractor, or in case of

such employees' relocation to the Contractor's point of origin, provided that relocation costs incurred in moving an expatriate employee and his family beyond point of origin, established at the time of his transfer to Sao Tome and Principe, will not be recoverable as Operating Costs; and

- (iv) Sao-Tomean employees on training assignments outside the Contract Area.
- (d) Services provided by third parties – cost of professional, technical, consultation, utilities and other services procured from third party sources pursuant to any contract or other arrangements between such third parties and the Contractor for the purpose of Petroleum Operations.
- (e) Legal expenses – all costs or expenses of handling, investigating, asserting, defending and settling litigation or claims arising out of or relating to Petroleum Operations or necessary to protect or recover property used in Petroleum Operations including, but not limited to, legal fees, court costs, arbitration costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation, arbitration or claims in accordance with the provisions hereof.
- (f) Head office overhead charge – parent company overhead in the amount specified in Clause 15.4 of the Contract.
- (g) Insurance premiums and settlements – premiums paid for insurance normally required to be carried for the Petroleum Operations together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including fees and deductibles relating to the Contractor's performance under the Contract.
- (h) Duties and taxes – all duties and taxes, fees and any Government assessments, including gas flare charges, license fees, custom duties, other than Royalty and Tax.
- (i) Operating expenses – labor, materials and services used in day to day oil well operations, oil field production facilities operations, secondary recovery operations, storage, transportation, delivering and marketing operations; and other operating activities, including repairs, well workovers, maintenance and related leasing or rental of all materials, equipment and supplies.
- (j) Successful Exploration drilling – all expenditures incurred in connection with the drilling of any Exploration Well which results in a Commercial Discovery.
- (k) Successful Appraisal drilling – all expenditures incurred in connection with the drilling of Appraisal Wells on a Commercial Discovery.
- (l) Unsuccessful Development drilling – all expenditures incurred in connection with drilling of development wells which are dry, including costs incurred in respect of casing, well cement and well fixtures.

- (m) Successful Development drilling – all intangible expenditures incurred in connection with labor, fuel, repairs, maintenance, hauling, and supplies and materials (not including, casing and other well fixtures) which are for or incidental to drilling, cleaning, deepening or completion wells or the preparation thereof incurred in respect of:
 - (i) determination of well locations, geological, geophysical, topographical and geographical surveys for site evaluation preparatory to drilling including the determination of near surface and near sea bed hazards;
 - (ii) cleaning, draining and leveling land, road-building and the laying of foundations;
 - (iii) drilling, shooting, testing and cleaning wells; and
 - (iv) erection of rigs and tankage assembly and installation of pipelines and other plant and equipment required in the preparation or drilling of wells producing Crude Oil.
- (n) Decommissioning provisions – any deposits in the Decommissioning Reserve Fund set aside for the purposes of Decommissioning pursuant to Clause 13 of the Contract.
- (o) Affiliate services – professional, administrative, scientific and technical services provided by Affiliates of the Contractor for the direct benefit of Petroleum Operations including services provided by the Exploration, Production, legal, financial, purchasing, insurance, accounting and computer services departments of such Affiliates. Charges for providing these services shall reflect costs only, and must be consistent with international market practices and shall not include any element of profit.
- (p) Pre-production Contract Area Non-capital Costs – all recoverable Contract Area Non-capital Costs incurred before first production from the Contract Area are accumulated and treated as if they had been incurred on the first day of production from the Contract Area.

2.3 Contract Area Capital Costs

Contract Area Capital Costs mean those Operating Costs incurred that are subject to depreciation. Contract Area Capital Costs includes the following:

- (a) Plant expenditures – expenditures in connection with the design, construction, and installation of plant facilities (including machinery, fixtures, and appurtenances) associated with the production, treating, and processing of Crude Oil (except such costs properly allocable to intangible drilling costs) including offshore platforms, secondary or enhanced recovery systems, gas injection, water disposal, expenditures for equipment, machinery and fixtures purchased to conduct Petroleum Operations

such as office furniture and fixtures, office equipment, barges, floating crafts, automotive equipment, petroleum operational aircraft, construction equipment, miscellaneous equipment.

- (b) Pipeline and storage expenditure – expenditures in connection with the design, installation, and construction of pipeline, transportation, storage, and terminal facilities associated with Petroleum Operations including tanks, metering, and export lines.
- (c) Building expenditure – expenditures incurred in connection with the construction of buildings, structures or works of a permanent nature including workshops, warehouses, offices, roads, wharves, furniture and fixtures related to employee housing and recreational facilities and other tangible property incidental to construction.
- (d) Successful Development drilling – all tangible expenditures incurred in connection with drilling development wells such as casing, tubing, surface and sub-surface production equipment, flow lines and instruments.
- (e) Material inventory – cost of materials purchased and maintained as inventory items solely for Petroleum Operations subject to the following provisions:
 - (i) the Contractor shall supply or purchase any materials required for the Petroleum Operations, including those required in the foreseeable future. Inventory stock levels shall take account of the time necessary to provide the replacement, emergency needs and similar considerations;
 - (ii) materials purchased by the Contractor for use in the Petroleum Operations shall be valued so as to include invoice price (less prepayment discounts, cash discounts, and other discounts if any) plus freight and forwarding charges between point of supply and point of destination but not included in the invoice price, inspection costs, insurance, custom fees and taxes, on imported materials required for the Contract;
 - (iii) materials not available in Sao Tome and Principe supplied by the Contractor or from its Affiliates stocks shall be valued at the current competitive cost in the international market; and
 - (iv) the Contractor shall maintain physical and accounting controls of materials in stock in accordance with Good Oil Field Practice. The Contractor shall make a total inventory at least once a year to be observed by the National Petroleum Agency and its external auditors. The National Petroleum Agency may however carry out partial or total inventories at its own expense, whenever it considers necessary, provided such exercise does not unreasonably disrupt Petroleum Operations.

- (f) Pre-production Contract Area Capital Costs – all recoverable Contract Area Capital Costs incurred before first production from the Contract Area are accumulated and treated as if they had been incurred on the first day of production from the Contract Area.

2.4 **Contract Area Non-Drilling Exploration Costs**

Contract Area Non-Drilling Exploration Costs mean those Operating Costs incurred anywhere in the Contract Area on Exploration or related activity not directly connected with the drilling of an Exploration Well. Contract Area Non-Drilling Exploration Costs are chargeable to the current year's operations and may be added to the Operating Costs of the Contract Area. Contract Area Non-Drilling Exploration Costs include the following:

- (a) Geological and geophysical surveys – labor, materials and services used in aerial, geological, topographical, geophysical and seismic surveys incurred in connection with Exploration excluding however the purchase of data from the National Petroleum Agency.
- (b) Pre-Contract seismic costs – reasonable costs associated with the acquisition of seismic data covering the Contract Area, including third party processing but not interpretation of the data by the Contractor or its Affiliates, which were incurred prior to the Effective Date.
- (c) Annual scholarship payments as described under Clause 14 of the Contract.

2.5 **Contract Area Unsuccessful Exploration and Appraisal Costs**

Contract Area Unsuccessful Exploration and Appraisal Costs mean those Operating Costs incurred anywhere in the Contract Area in connection with the drilling of any Exploration Well or Appraisal Well in the Contract Area which does not result in a Commercial Discovery. Contract Area Unsuccessful Exploration and Appraisal Costs are subject to depreciation over a five (5) year period in equal installments of twenty percent (20%) per annum or the remaining life of the Contract Area whichever is less, commencing with production. Unsuccessful Exploration and Appraisal Costs in any period shall be allocated to the Operating Costs of the Contract Area, subject to the following restrictions:

- (a) to the extent that the Contract Area has Available Cost Oil after recovering the Operating Costs (other than Unsuccessful Exploration and Appraisal Costs) related to that Contract Area; and
- (b) if there is insufficient Available Cost Oil in the Contract Area in any period to fully recover Unsuccessful Exploration and Appraisal costs the unrecovered amount may be carried forward and included in the next period's Unsuccessful Exploration and Appraisal costs account.

2.6 **Non-Recoverable Costs**

The following costs are not recoverable as Operating Costs:

- (a) bonuses and expenditure incurred by the Contractor in carrying out any obligation to fund social projects as defined in Clause 2 of the Contract;
- (b) interest incurred under loans taken to finance Petroleum Operations from either inter-Affiliate loans or loans from third parties; and
- (c) costs incurred in excess of five percent (5%) above costs budgeted for in a Work Program and Budget, unless such costs are approved in advance by the National Petroleum Agency, which shall not be denied in cases where costs reflect fair market conditions or are technically supported.

3. **Computation of Royalty and Tax**

3.1 The Contractor shall compute the amount of Royalty and Tax payable to the State pursuant to and in accordance with the Contract. Such amounts shall be computed in the manner set forth in the Petroleum Law, the Petroleum Taxation Law and the provisions hereof as stated in Article 4 of this Schedule 2.

3.2 The Contractor shall compute the Royalty to be paid to the State in a given month based on the Realizable Price of the Crude Oil produced during the second preceding month. Tax payments shall be calculated and remitted in accordance with the Petroleum Taxation Law.

4. **Accounting Analyses**

4.1 The Contractor and the National Petroleum Agency shall agree within three (3) months on a format for monthly accounting analysis reflecting the volumes lifted in terms of Royalty Oil, Cost Oil, and Profit Oil, and Proceeds received by each Party.

4.2 The Realizable Price and the quantities actually lifted by the Parties shall be used to compute the Proceeds as reflected in the agreed monthly accounting analysis format in Article 4.1 above and the allocation of such Proceeds in the categories described under Clause 10 of the Contract shall be reflected.

4.3 The allocation of the quantity of Available Crude Oil to each Party pursuant to Clause 10 of the Contract shall be according to and governed by provisions of the Allocation and Lifting Procedures.

4.4 The priority of allocation of the total Proceeds for each period shall be as follows:

- (a) Royalty Oil;
- (b) Cost Oil; and
- (c) Profit Oil

4.5 The amount chargeable to and recoverable as Royalty Oil, and Cost Oil shall be determined as follows:

- (a) Royalty Oil – The sum of royalties payable during such month.
- (b) Cost Oil – The Operating Costs applicable to such month for the purposes of Cost Oil are as follows:
 - (i) Contract Area Non-Capital Costs shall be the amount recorded in the books and accounts of the Contractor for such month in accordance with these Accounting Procedures and shall be recoverable in full in the period incurred.
 - (ii) Contract Area Capital Costs shall be the amount recorded in the books and accounts of the Contractor for such month in accordance with these Accounting Procedures and shall be recoverable over the depreciation period as provided in Article 6.1 below or the remaining life of the Contract, whichever is less.
 - (iii) Contract Area Non-Drilling Exploration Costs shall be the amount recorded in the books and accounts of the Contractor for such month in accordance with these Accounting Procedures and shall be recoverable in full in the period incurred.
 - (iv) Contract Area Unsuccessful Exploration and Appraisal Costs shall be the amount recorded in the books and accounts of the Contractor for such month in accordance with these Accounting Procedures and shall be recoverable over the depreciation period of five (5) years in equal installments of twenty percent (20%) per annum or the remaining life of the Contract Area, whichever is less, commencing with production from the Contract Area which costs are allocated to the Contract Area in accordance with Article 2.5 of this Schedule 2.
- (c) Any carryover from previous months as provided under Article 4.6 of this Schedule 2.

4.6 Any amounts chargeable and recoverable in excess of the allocation of Proceeds for the month to Royalty Oil and Cost Oil shall be carried forward to subsequent months. Carryovers shall be determined as follows:

- (a) A Royalty Oil carryover results when the Proceeds for such month are insufficient for allocation of the Royalty Oil due for the month, as described in Clause 10 of the Contract.
- (b) A Cost Oil carryover results when the Proceeds remaining, after allocating a portion of the Proceeds to Royalty Oil, are insufficient for allocation of Cost Oil due for the month, as described in Clause 10 of the Contract.

4.7 Profit Oil is available where Proceeds remain after allocations to Royalty Oil and Cost Oil pursuant to Articles 4.5 and 4.6 above. Profit Oil shall be allocated as described in Clause 10 of the Contract.

5. Other Provisions

5.1 The Contractor shall open and keep bank accounts in United States dollars where all funds remitted from abroad shall be deposited for the purpose of meeting local expenditures. For purposes of keeping the books of accounts, any foreign currency remitted by the Contractor shall be converted at the monthly exchange rates published on the date of payment by the Central Bank of Sao Tome and Principe for Dobras, and the Financial Times of London for other currencies. The Contractor shall have the right to convert any currency into United States dollars and transfer any funds irrespective of currency into or outside of Sao Tome and Principe, free of any tax imposed by the State. It is understood that commercial banks may apply routine charges or fees on such transactions.

5.2 The Contractor shall prepare financial accounting and budget statements in accordance with the National Petroleum Agency's prescribed reporting format.

5.3 With respect to any agreed sum arising out of the Contract owing between the Parties that is past due, any set-off pursuant to Clause 12 of the Contract shall be exercised by giving the other Party written notice thereof accompanied by sufficient description of the offsetting sums to allow the Parties to properly account thereof.

The Contractor shall report on the cumulative production in the Contract Area in a format to be agreed with the National Petroleum Agency,

6. Depreciation Schedule

6.1 Any Operating Costs, which are to be depreciated, shall be depreciated according to the following schedule:

Year	Depreciation Rate (%)
1	20%
2	20%
3	20%
4	20%
5	20%

SCHEDULE 3

ALLOCATION AND LIFTING PROCEDURES

1. If Crude Oil is to be produced from the Contract Area, the Parties shall, in good faith and not fewer than twelve (12) months before the commencement of Production, as promptly notified by the Operator, negotiate and agree the terms of a lifting agreement based on the 2001 version of the AIPN Model Lifting Agreement to cover the offtake of Available Crude Oil produced under the Contract. Consistent with the Field Development Program and subject to terms of the Contract, the lifting agreement shall make provision for:
 - i) The Delivery Point;
 - ii) Operator's regular periodic advice to the Parties of estimates of Available Crude Oil for succeeding periods, quantities of each type and/or grade of Crude Oil forecast to be produced consistent with the projected production schedule approved as part of the approved Work Program and each Party's entitlement for as far ahead as is necessary for Operator and the Parties to plan lifting arrangements, taking into account each such Party's entitlement at the beginning of, and scheduled liftings during, each period. Such advice shall also cover, for each type and/or grade of Crude Oil, the Available Crude Oil and deliveries for the preceding period, and overlifts and underlifts;
 - iii) Nomination by the Parties to Operator of acceptance of their entitlements for the succeeding period, with such nominations in any one period being for each Party's entire entitlement during that period, subject to overlifting limits, underlifting limits, operational tolerances and minimum economic cargo sizes or as the Parties may otherwise agree;
 - iv) Timely mitigation of the effects of overlifts and underlifts;
 - v) If offshore loading or a shore terminal for vessel loading is involved, vetting procedures relating to risks regarding tankers and procedures for demurrage and (if applicable) availability of berths;
 - vi) Procedures to make available to each Party its nominated quantities of each type and grade of Crude Oil, and to ensure that each Party takes delivery as it is made available in each period of its respective entitlement of grades, gravities and qualities of Crude Oil from the Contract Area;
 - vii) 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
 - viii) The right of the other Parties to sell an entitlement that a Party fails to nominate for acceptance under paragraph (iii) above or of which a Party fails to take delivery, in accordance with applicable agreed procedures, provided that such failure either breaches

Operator's, or such Party's, obligations under the Contract, 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 Parties 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 applicable) and for reasonable periods of time (in no event to exceed twelve (12) Calendar Months). Payment terms for production sold under this option shall be established in the lifting agreement.

2. If a lifting agreement has not been agreed before the commencement of Production, the Operator shall act as lifting coordinator and the Parties shall be obligated to take and separately dispose of their entitlement to such Crude Oil (taking overlifts and underlifts into account) and in addition shall be bound by the principles set forth in this Schedule 3 until a lifting agreement is agreed by the Parties.

SCHEDULE 4

PROCUREMENT AND PROJECT IMPLEMENTATION PROCEDURES

1. Application

- 1.1 These Procurement Procedures form part of the Contract and shall be followed and observed in the performance of a Party's obligations under the Contract.
- 1.2 These Procurement Procedures shall be applicable to all contracts and purchase orders whose values exceed the respective limits set forth in Article 1.5 below and which, pursuant thereto, require the prior approval of the National Petroleum Agency.
- 1.3 In the event of a conflict between the terms of these Procurement Procedures and the Contract, the terms of the Contract shall prevail.
- 1.4 These Procurement Procedures may be amended from time to time by the mutual agreement of the Parties.
- 1.5 The Contractor shall have the authority to enter into any contract or place any purchase order in its own name for the performance of services or the procurement of facilities, equipment, materials or supplies, provided that:
 - (a) prior approval of the National Petroleum Agency shall be obtained for all foreign contracts and foreign purchase orders awarded to third parties where the cost exceeds \$2,000,000 or in another currency equivalent during the Exploration Period and \$3,000,000 or in another currency equivalent during the Production Period;
 - (b) prior approval of the National Petroleum Agency shall be obtained for all local contracts and purchase orders where the cost exceeds \$1,000,000 or in other currency equivalent in utilization at the location of the contract or purchase;
 - (c) the amount set forth in paragraphs (a), (b) and (h) of this Article 1.5 will be reviewed by the Parties whenever it becomes apparent to a Party that such limits create unreasonable constraints on Petroleum Operations or are no longer appropriate. In the event of a significant change in the exchange rate of local currencies to United States dollars compared to that which existed on the Effective Date, the Parties shall review the limits set forth in paragraphs (a), (b) and (h) of this Article 1.5;
 - (d) such contracts shall be entered into and such purchase orders shall be placed with third parties, which in the Contractor's opinion are technically and financially able to properly perform their obligations;
 - (e) procedures customary in the oil industry for securing best total value shall be utilized at all times;

- (f) the Contractor shall give preferences to sub-contractors that are companies organized under the laws of Sao Tome and Principe to the maximum extent possible and in accordance with the Petroleum Law;
- (g) the Contractor shall give preference to such goods which are manufactured or produced in Sao Tome and Principe or services rendered by nationals of Sao Tome and Principe in accordance with the Petroleum Law; and
- (h) the above limits and these procedures shall not apply to purchases made for warehouse replenishment stock not exceeding \$1,500,000 or in another currency equivalent nor shall they apply to the purchase of tubulars of less than \$1,500,000 or in another currency equivalent made in furtherance of planned drilling programs. Where there are United States dollars and other currency components of such purchases the total shall not exceed the equivalent of \$1,500,000.

2. Project Implementation Procedure

2.1 The Contractor, realizing the need for a project or contract to which these Procurement Procedures apply pursuant to Article 1.5, shall introduce it as part of the proposed Work Program and Budgets to be developed and submitted by the Contractor to the National Petroleum Agency pursuant to Clause 7 of the Contract.

- (a) The Contractor shall provide full information with respect to a project including the following:
 - (i) a clear definition of the necessity and objectives of the project;
 - (ii) the scope of the project; and
 - (iii) the cost estimate thereof.
- (b) The Contractor shall transmit the project proposal along with the relevant related documentation to the National Petroleum Agency for consideration.
- (c) The National Petroleum Agency shall consider the proposal and the recommendation of the Contractor and whether to proceed with the Contractor's proposal. If the National Petroleum Agency does not object to the project or any part thereof within thirty (30) days of the submission of the project, the project as proposed by the Contractor shall be deemed to have been approved.

2.2 The project as approved pursuant to Article 2.1 shall form part of the Work Program and Budget for Petroleum Operations. Such approval shall also constitute all authorizations by the National Petroleum Agency to the Contractor to initiate contracts and purchase orders relevant to the project proposal, subject to the provisions of Articles 1.5 and 3 of this Schedule 4.

- 2.3 The resources for the project design, supervision, and management shall first be drawn from the Contractor's available in-house expertise. If the National Petroleum Agency approves the foregoing under the approved budget for the project it may be performed by the Contractor. Competent Sao-Tomean engineering and design companies shall be given priority over other third parties by the Contractor for such projects in accordance with the Petroleum Law. Staff of the National Petroleum Agency who shall be seconded pursuant to Clause 14 of the Contract shall be fully involved in the project design, supervision and management.
- 2.4 After approval of the project and its budget, the Contractor shall prepare and transmit to the National Petroleum Agency complete details of the project including the following:
- (a) project definition;
 - (b) project specification;
 - (c) flow diagrams;
 - (d) projects implementation schedule showing all phases of the project including engineering design, material and equipment procurement, inspection, transportation, fabrication, construction, installation, testing and commissioning;
 - (e) major equipment specifications;
 - (f) cost estimate of the project;
 - (g) an activity status report; and
 - (h) copies of all approved authorization for expenditure (AFEs).

3. **Contract Tender Procedure**

- 3.1 The following tender procedure shall apply to works contracts and contracts for the supply of services and supply contracts not directly undertaken by the Contractor or an Affiliate:
- (a) The Contractor shall maintain a list of approved sub-contractors for the purpose of contracts for Petroleum Operations, (the "**Approved Contractors' List**"). The National Petroleum Agency shall have the right to nominate sub-contractors to be included in and excluded, for good cause, from the list. The National Petroleum Agency and the Contractor shall be responsible for pre-qualifying any sub-contractor to be included in the Approved Contractors' List.
 - (b) Sub-contractors included in the Approved Contractors' List shall be both local and/or overseas sub-contractors and entities. Where required by law, they shall be registered with the National Petroleum Agency.

- (c) When a contract is to be bid, the Contractor shall present a list of proposed bidders to the National Petroleum Agency for concurrence not less than fifteen (15) working days before the issuance of invitations to bid to prospective subcontractors. The National Petroleum Agency may propose additional names to be included in and excluded, for good cause, from the list of proposed bidders. Contract specifications shall be in Portuguese and/or English and in a recognized format used in the international petroleum industry.
 - (d) If the National Petroleum Agency has not responded within fifteen (15) working days from the date of the official receipt following the presentation of the list of proposed bidders as aforesaid, the list shall be deemed to have been approved.
- 3.2 The Contractor shall, for contracts above the limits set forth in Article 1.5, establish a Tender Committee who shall be responsible for pre-qualifying bidders, sending out bid invitations, receiving and evaluating bids and determining successful bidders to whom contracts shall be awarded.
- 3.3 Before a contract is signed, the Contractor shall send analysis and recommendations of bids received and opened by the Tender Committee to the National Petroleum Agency for approval within thirty (30) days from the date of the official receipt. Approval of the Contractor's recommendations shall be deemed to have been given if the National Petroleum Agency has not responded within such period.
- 3.4 Prospective vendors and/or sub-contractors for work estimated in excess of \$2,000,000 for the Exploration Period and \$3,000,000 for the Production Period or their equivalent shall submit the commercial summary of their bids to the Contractor in two (2) properly sealed envelopes, one addressed to the Contractor and one addressed to the National Petroleum Agency. The Contractor shall retain one and send one to the National Petroleum Agency properly enveloped, sealed and addressed to National Petroleum Agency, together with the recommendation provided for in Article 3.3.
- 3.5 In all cases, the Contractor shall make full disclosure to the National Petroleum Agency of its relationship, if any, with any sub-contractors.
- 3.6 These Procurement Procedures may be waived and the Contractor may negotiate directly with a sub-contractor:
- (a) in emergency situations provided that it promptly informs the National Petroleum Agency of the outcome of such negotiations; and
 - (b) in work requiring unusually specialized skills or when special circumstances warrant, upon the approval of the National Petroleum Agency, which approval shall not be unreasonably withheld.

4. General Conditions of Contracts

4.1 The payment terms, to the extent viable, shall provide that:

- (a) Contractor is required to include in the services contracts, terms and condition that guarantees the appropriate security for the sub-contractor's performance, including but not limited to for example, industry standard warranties, retention fees or other guarantees; and
- (b) a provision shall be made for appropriate withholding tax as may be applicable.

4.2 The governing law of all agreements signed with sub-contractors shall be, to the extent feasible, Sao-Tomean law.

4.3 Sao-Tomean law shall apply to all sub-contractors performing work in the Territory of Sao Tome and Principe. In as far as practicable, they shall use Sao-Tomean resources both human and material in accordance with the Petroleum Law.

4.4 Each contract shall provide for early termination where necessary and the Contractor shall use all reasonable endeavors to obtain a termination provision with minimal penalty.

4.5 Sub-contractors shall provide, in the case of a foreign sub-contractor, that the local part of the work, in all cases, shall be performed by the sub-contractor's local subsidiary whenever possible.

5. Materials and Equipment Procurement

5.1 The Contractor may, through itself or its Affiliates, procure materials and equipment subject to conditions set forth in this Article 5 and these Procurement Procedures.

5.2 The provisions of this Article 5 shall not apply to lump sum or turnkey contracts/projects.

5.3 In ordering the equipment or materials, the Contractor shall obtain from vendors / manufacturers such rebates and discounts and such warranties and guarantees that such discounts, guarantees and all other grants and responsibilities shall be for the benefit of Petroleum Operations.

5.4 The Contractor shall:

- (a) by means of established policies and procedures ensure that its procurement efforts provide the best total value, with proper consideration of safety, quality, services, price, delivery and Operating Costs to the benefit of Petroleum Operations;
- (b) maintain appropriate records, which shall be kept up to date, clearly documenting procurement activities;
- (c) provide quarterly and annual inventory of materials and equipment in stock;

- (d) provide a quarterly listing of excess materials and equipment in its stock list to the National Petroleum Agency; and
 - (e) check the excess materials and equipment listings from other companies operating in the Territory of Sao Tome and Principe, to identify materials available in the country prior to initiating any foreign purchase order.
- 5.5 The Contractor shall initiate and maintain policies and practices, which provide a competitive environment and climate amongst local and overseas suppliers. Competitive quotation processes shall be employed for all local procurement where the estimated value exceeds the equivalent of \$1,000,000 as follows:
- (a) fabrication, wherever practicable shall be done locally. To this effect, the Petroleum Operations recognize and shall accommodate local offers at a premium not exceeding ten percent (10%); and
 - (b) subject to Article 3.1, the Contractor shall give preferences to Sao-Tomean indigenous sub-contractors in the award of contracts. Contracts within the agreed financial limit of the Contractor shall be awarded to only competent Sao-Tomean indigenous sub-contractors possessing the required skill/capability for the execution of such contracts and the Contractor shall notify the National Petroleum Agency accordingly.
- 5.6 Analysis and recommendation of competitive quotations of a value exceeding the limits established in Article 1.5 shall be transmitted to the National Petroleum Agency for approval before a purchase order is issued to the selected vendor/manufacturer. Approval shall be deemed to have been given if a response has not been received from the National Petroleum Agency within thirty (30) days of receipt by the National Petroleum Agency of the said analysis and recommendations.
- 5.7 Pre-inspection of rig, equipment and stock materials of reasonable value shall be jointly carried out at the factory site and/or quay before shipment at the request of either Party.

6. Project Monitoring

- 6.1 The Contractor shall provide a project report to the National Petroleum Agency.
- 6.2 For major projects exceeding \$5,000,000 or its equivalent, the Contractor shall provide to the National Petroleum Agency a detailed quarterly report which shall include:
- (a) approved budget total for each project;
 - (b) expenditure on each project;
 - (c) variance and explanations;
 - (d) number and value of construction change orders;

- (e) bar chart of schedule showing work progress and work already completed and schedule of mile-stones and significant events; and
- (f) summary of progress during the reporting period, summary of existing problems, if any, and proposed remedial action, anticipated problems, and percentage of completion,

provided that the National Petroleum Agency shall have the right to send its own representatives to assess the project based on the report.

6.3 In the case of an increase in cost in excess of five percent (5%) of the project, the Contractor shall promptly notify the National Petroleum Agency and obtain necessary budget approval, in accordance with Article 2.6(c) of Schedule 2.

6.4 Not later than six (6) months following the physical completion of any major project whose cost exceeds \$5,000,000 or its equivalent, the Contractor shall prepare and deliver to the National Petroleum Agency a project completion report which shall include the following:

- (a) a cost performance of the project in accordance with the work breakdown at the commencement of the project;
- (b) the significant variation in any item or sub-item;
- (c) a summary of problems and unexpected events encountered during the project; and
- (d) a list of excess materials.

SCHEDULE 5

SALE OF ASSETS PROCEDURE

Upon the agreement of the National Petroleum Agency that identified assets are to be sold, the following procedure shall apply:

1. The Contractor shall call for a bid duly advertised, for example, online, in a national newspaper, national radio station or national television station for all assets not directly related to Petroleum Operations whose book values are \$10,000 and over, irrespective of length of ownership of such assets.
2. All assets as described in paragraph 1 above, with book values of \$10,000 and over shall be sold with proof of highest bid, subject to the highest bidder not being related to the Contractor.
3. Sale of assets to the Contractor's Affiliate shall be brought to the express attention of the National Petroleum Agency and only with the written consent given by the National Petroleum Agency.
4. The Contractor may dispose of all assets as described in paragraph 1 above, with book values less than \$10,000 in the best manner available to the Contractor on the basis of the highest price available.
5. The Contractor shall sell, in customary industry manner, all assets directly related to Petroleum Operations, irrespective of length of ownership of such assets.
6. This Sale of Assets Procedure may be amended from time to time by the mutual agreement of the Parties.

SCHEDULE 6

FORM OF PARENTAL GUARANTEE

THIS GUARANTEE is made on this [INSERT DAY] of [INSERT MONTH AND YEAR]

BETWEEN:

- (1) [THE GUARANTOR], a company organized and existing under the laws of [*insert JURISDICTION*], and having its registered office at [INSERT ADDRESS] (the Guarantor); and
- (2) **THE DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE** (the “State”), represented for the purposes of this Guarantee by the National Petroleum Agency.

WHEREAS, the Guarantor is the parent entity of [INSERT NAME OF COMPANY] organized and existing under the laws of [INSERT JURISDICTION], and having its registered office at [INSERT ADDRESS] (the “Company”);

WHEREAS, the Company has entered into a production sharing contract (the **Contract**) with, among others, the State in respect of the Contract Area;

WHEREAS, the State desires that the execution and performance of the Contract by the Company be guaranteed by the Guarantor and the Guarantor desires to furnish this Guarantee as an inducement to the State to enter into the Contract and in consideration of the rights and benefits inuring to the Company thereunder; and

WHEREAS, the Guarantor accepts that it fully understands the contractual obligations under the Contract of the Company.

NOW THEREFORE, it is hereby agreed as follows:

1. **Definitions and Interpretation**

All capitalized words and expressions in this Guarantee have the same meaning as in the Contract, unless otherwise specified herein.

2. **Scope of this Guarantee**

The Guarantor hereby guarantees to the State the timely payment of any and all indebtedness and the procurement of the timely performance of all obligations whatsoever of the Company to the State arising under or in relation to the Contract, including the payment of any amounts required to be paid by the Company to the State when the same become due and payable; provided, however, that the liability of the Guarantor to the State hereunder shall not exceed the lesser of:

- (a) the liabilities of the Company to the State;
- (b) Company's paying interest share of ten million Dollars (\$10,000,000) during the Exploration Period, as may be extended in accordance with the Contract; and
- (c) Company's paying interest share of two hundred and fifty million Dollars (\$250,000,000) during the Production Period.

3. **Waiver of Notice, Agreement to All Modifications**

The Guarantor hereby waives notice of the acceptance of this Guarantee by the State and of the state of indebtedness of the Company at any time, and expressly agrees to any extensions, renewals, modifications or acceleration of sums due to the State under the Contract or any of the terms of the Contract, all without relieving the Guarantor of any liability under this Guarantee.

4. **Absolute and Unconditional Guarantee**

The obligations of the Guarantor shall be an absolute, unconditional and (except as provided in Article 2 above) unlimited guarantee of payment and procurement of performance to be performed strictly in accordance with the terms hereof, and without respect to such defences as might be available to the Company.

5. **No Discharge of Guarantor**

The obligations of the Guarantor hereunder shall not in any way be released or otherwise affected by: a release or surrender by the Company of any collateral or other security it may hold or hereafter acquire for payment of any obligation hereby guaranteed; by any change, exchange or alteration of such collateral or other security; by the taking of or the failure to take any action with respect thereto either against the Company or against the Guarantor; or by any other circumstance which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

6. **No Prior Action Required**

The State shall not be required to make demand for payment or performance first against the Company or any other Person or to proceed against any collateral or other security which might be held by the State or otherwise to take any action before resorting to the Guarantor hereunder.

7. **Cumulative Rights**

All rights, powers and remedies of the State hereunder shall be cumulative and not alternative, and shall be in addition to all rights, powers and remedies given to the State by law or otherwise.

8. Continuing Guarantee

This Guarantee is intended to be and shall be considered as a continuing guarantee of payment and performance and shall remain in full force and effect for so long as the Contract and any amendments thereto shall remain outstanding or there shall exist any liability of the Company to the State thereunder. In any event this Guarantee shall terminate no later than 2068.

9. Notice of Demand

Upon default in the performance of any of the obligations of the Company guaranteed hereunder, and provided that the State has communicated to the Company such default and the latter has not remedied or taken the necessary steps to remedy such default within a reasonable period of time, the State or its duly authorized attorney may give written notice to the Guarantor at its principal office in [INSERT JURISDICTION] of the amount due, and the Guarantor, within a period of ten (10) business days, will make, or cause to be made, payment of such amount as notified, in United States dollars, at such bank or other place in [*insert jurisdiction*] as the State shall designate and without set-off or reduction whatsoever of such payment in respect of any claim the Guarantor or the Company may then have or thereafter might have.

10. Assignment

The Guarantor shall not in any way effect, or cause or permit to be effected, the assignment or transfer of any of its obligations hereunder without the express written consent of the State.

11. Subrogation

Until all indebtedness hereby guaranteed has been paid in full, the Guarantor shall have no right of subrogation to any security, collateral or other rights which may be held by the State.

12. Payment of Expenses

The Guarantor shall pay to the State all reasonable costs and expenses, including attorney's fees, incurred by it in collecting or compromising any indebtedness of the Company hereby guaranteed or in enforcing the Contract or this Guarantee.

13. Governing Law and Arbitration

This Guarantee shall be governed by and interpreted in accordance with the laws of the State.

All disputes or claims arising out of or relating to this Guarantee shall be finally settled by arbitration, in accordance with the procedure set forth in the Contract; however, if in addition to the arbitration hereunder an arbitration has also been commenced under the Contract with respect to obligations hereby guaranteed, the arbitration commenced hereunder shall be

consolidated with the arbitration commenced under the Contract and the arbitral body appointed hereunder shall be the same arbitral body appointed pursuant to the Contract. The arbitration shall be conducted in the Portuguese and English languages and the decision shall be final and binding on the parties.

14. Severability of Provisions

In the event that for any reason any provision hereof may prove illegal, unenforceable or invalid, the validity or enforceability of the remaining provisions hereof shall not be affected.

15. Confidentiality

The Guarantor agrees to treat this Guarantee and the Contract as confidential and shall not disclose, willingly or unwillingly, to any third party, except to the extent required by law or the requirements of any court or stock exchange on which a Party's or its Affiliate's stock is publicly traded, the terms and conditions hereof or thereof without the prior written consent of the State.

IN WITNESS WHEREOF, the Guarantor and the Company execute this Guarantee this [INSERT DAY] day of [INSERT MONTH AND YEAR].

[GUARANTOR]

By: _____
Title: _____

THE DEMOCRATIC REPUBLIC OF SAO TOME AND PRINCIPE

BY THE AGENCIA NACIONAL DO PETROLEO DE SAO TOME E PRINCIPE

By: _____
Title: _____

EXECUTION VERSION

DATED 5 FEBRUARY 2018

KOSMOS ENERGY FINANCE INTERNATIONAL
as the Original Borrower

and

**KOSMOS ENERGY OPERATING, KOSMOS ENERGY INTERNATIONAL, KOSMOS ENERGY
DEVELOPMENT and KOSMOS ENERGY GHANA HC**
as Original Guarantors

and

KOSMOS ENERGY SENEGAL and KOSMOS ENERGY MAURITANIA
as New Borrowers

and

**KOSMOS ENERGY FINANCE INTERNATIONAL, KOSMOS ENERGY EQUATORIAL GUINEA,
KOSMOS ENERGY SENEGAL, KOSMOS ENERGY INVESTMENTS SENEGAL LIMITED and KOSMOS
ENERGY MAURITANIA**
as New Guarantors

and

BNP PARIBAS
as Security Agent and Retiring Facility Agent

and

STANDARD CHARTERED BANK
as Successor Facility Agent

and

THE FINANCIAL INSTITUTIONS LISTED IN SCHEDULE 3

and others

**DEED OF AMENDMENT AND RESTATEMENT
RELATING TO A USD 1.5 BILLION FACILITY AGREEMENT
DATED 28 MARCH 2011 (as amended or as amended and restated
from time to time)**

**Slaughter and May
One Bunhill Row
London
EC1Y 8YY
(SRG/PUR/JXUB)**

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DEED OF AMENDMENT AND RESTATEMENT

THIS DEED is dated 5 February 2018

AND MADE BY:

- (1) **KOSMOS ENERGY FINANCE INTERNATIONAL** a company incorporated under the laws of the Cayman Islands with registered number 253656 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands (the "**Original Borrower**");
- (2) **KOSMOS ENERGY SENEGAL** a company incorporated under the laws of the Cayman Islands with registered number 290078 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KES**");
- (3) **KOSMOS ENERGY MAURITANIA** a company incorporated under the laws of the Cayman Islands with registered number 266444 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KEM**" and together with KES, the "**New Borrowers**", and together with KES and the Original Borrower, the "**Borrowers**");
- (4) **KOSMOS ENERGY INVESTMENTS SENEGAL LIMITED** a company incorporated under the laws of England and Wales with registered number 10520822 and having its registered office at 6th Floor, 65 Gresham Street, London EC2V 7NQ, UK ("**KEISL**");
- (5) **KOSMOS ENERGY EQUATORIAL GUINEA** a company a company incorporated under the laws of the Cayman Islands with registered number 269135 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands; ("**KEEG**" and together with the Original Borrower, KES, KEISL and KEM, the "**New Guarantors**");
- (6) **KOSMOS ENERGY OPERATING** a company incorporated under the laws of the Cayman Islands with registered number 231417 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KEO**");
- (7) **KOSMOS ENERGY INTERNATIONAL** a company incorporated under the laws of the Cayman Islands with registered number 218274 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KEI**");
- (8) **KOSMOS ENERGY DEVELOPMENT** a company incorporated under the laws of the Cayman Islands with registered number 225879 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KED**");
- (9) **KOSMOS ENERGY GHANA HC** a company incorporated under the laws of the Cayman Islands with registered number 135710 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KEG**", and together with KEO, KEI and KED, the "**Original Guarantors**");

- (10) **KOSMOS ENERGY HOLDINGS** a company incorporated under the laws of the Cayman Islands with registered number 133483 and having the registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1 1209, Cayman Islands (the "**Chargor**");
- (11) **BNP PARIBAS** in its capacity as agent of the Finance Parties under the Facility Agreement (the "**Retiring Facility Agent**");
- (12) **BNP PARIBAS** in its capacity as agent of the Secured Parties on the terms set out in the Intercreditor Agreement (the "**Security Agent**");
- (13) **BNP PARIBAS** as the Intercreditor Agent;
- (14) **STANDARD CHARTERED BANK** in its capacity as the successor Facility Agent following the amendment and restatement of the Facility Agreement (the "**Successor Facility Agent**");
- (15) **STANDARD CHARTERED BANK** as onshore account bank;
- (16) **HSBC BANK PLC** as offshore account bank in London ("**HSBC**");
- (17) **SOCIETE GENERALE, LONDON BRANCH** as the Technical Bank;
- (18) **SOCIETE GENERALE, LONDON BRANCH** as the Modelling Bank;
- (19) **THE FINANCIAL INSTITUTIONS** listed in Part 1 (*Exiting Lenders*) of Schedule 3 (*Lenders*) as exiting lenders (the "**Exiting Lenders**");
- (20) **THE FINANCIAL INSTITUTIONS** listed in Part 2 (*New Lenders*) of Schedule 3 (*Lenders*) as new lenders (the "**New Lenders**");
- (21) **THE FINANCIAL INSTITUTIONS** listed in Part 3 (*Continuing Lenders*) of Schedule 3 (*Lenders*) as continuing lenders (the "**Continuing Lenders**");
- (22) **THE FINANCIAL INSTITUTIONS** listed in Part 1 (*Continuing Hedging Counterparties*) of Schedule 4 (*Hedging Counterparties*) as continuing Hedging Counterparties; (the "**Continuing Hedging Counterparties**");
- (23) **THE FINANCIAL INSTITUTIONS** listed in Part 2 (*New Hedging Counterparties*) of Schedule 4 (*Hedging Counterparties*) as new Hedging Counterparties (the "**New Hedging Counterparties**");
- (24) **ABSA BANK LIMITED (ACTING THROUGH ITS CORPORATE AND INVESTMENT BANKING DIVISION), BNP PARIBAS, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, HSBC BANK PLC, SOCIÉTÉ GÉNÉRALE, LONDON BRANCH AND STANDARD CHARTERED BANK** as the existing mandated lead arrangers of the Facility; and
- (25) **ING BELGIUM SA/NV, NATIXIS, N.B.S.A. LIMITED, THE STANDARD BANK OF SOUTH AFRICA LIMITED, ISLE OF MAN BRANCH and SUMITOMO MITSUI BANKING CORPORATION EUROPE LIMITED** as the new mandated lead arrangers of the Facility.

WHEREAS:

- (A) The Original Borrower, Original Guarantors, the Retiring Facility Agent and Security Agent, amongst others, entered into a facility agreement dated 28 March 2011, as amended on 14 February 2012, 27 April 2012, 25 June 2012 and 3 April 2013 and amended and restated on 23 November 2012, 14 January, 2014 and 14 March 2014 and as further amended on 30 September 2014 and as further amended on 1 October 2015 (the "**Facility Agreement**").
- (B) The Facility Agreement is to be amended and restated pursuant to this Deed to (i) contemplate the inclusion of EG Block Assets and the Greater Tortue Block Assets as Borrowing Base Assets, (ii) to include KES and KEM as New Borrowers and the Original Borrower, KEEG, KES, KEISL and KEM as New Guarantors and (iii) replace the Retiring Facility Agent with the Successor Facility Agent.
- (C) The parties hereto have agreed to amend the terms of the Facility Agreement and the Intercreditor Agreement as set out in Clause 4 (*Amendment and Restatement of Facility Agreement*) and Clause 5 (*Amendment of the Intercreditor Agreement*) of this Deed.

IT IS AGREED as follows:

1. INTERPRETATION

1.1. Incorporation of defined terms

- (A) Unless a contrary indication appears herein, a term defined in the Restated Facility Agreement (as defined below), the Intercreditor Agreement or any other Finance Document (as amended from time to time) has the same meaning in this Deed.
- (B) The principles of construction and interpretation set out under clause 1.2 (*Construction of particular terms*) and clause 1.3 (*Interpretation*) of the Restated Facility Agreement and clause 1.2 (*Construction*) of the Intercreditor Agreement shall have effect as if set out in this Deed.

1.2. Definitions

Each of the defined terms set out below and in the above list of parties and the recitals to this Deed shall apply to this Deed.

“Assigned Documents” means:

- (A) each of the “Assigned Documents” as defined in the Supplemental Assignment Security Documents referred to in paragraphs (A) to (D) (inclusive) of that definition; and
- (B) “Assigned Property” as defined in the Supplemental Assignment Security Document referred to in paragraph (E) of that definition.

“Effective Date” means the date which (i) falls on or after the date on which the Retiring Facility Agent (acting on the instructions of all the Continuing Lenders and all the New Lenders) notifies the Original Borrower and each other party to this Deed that it has received, in form and substance satisfactory to it, (or waived receipt of) all of the documents and other evidence listed in Clause 19 (*Conditions Precedent*) and (ii) is confirmed in writing by the Retiring Facility Agent to all such parties as the date nominated by the Retiring Facility Agent as the “Effective Date”.

“Existing Obligors” means the Original Guarantors and the Original Borrower.

“Fee Letters” means:

- (A) the fee letter between the Original Borrower and the Documentation Bank dated on or around the date of this Deed;
- (B) the fee letter between the Original Borrower and the Successor Facility Agent dated on or around the date of this Deed;
- (C) the fee letter between the Original Borrower and the Technical and Modelling Bank dated on or around the date of this Deed;
- (D) the fee letter between the Original Borrower and ABSA Bank Limited (acting through its corporate and investment banking division) dated on or around the date of this Deed;
- (E) the fee letter between the Original Borrower and Bank of America Merrill Lynch International Limited dated on or around the date of this Deed;

- (F) the fee letter between the Original Borrower and Bank of Montreal, London Branch dated on or around the date of this Deed;
- (G) the fee letter between the Original Borrower and The Bank of Tokyo-Mitsubishi UFJ, Ltd. dated on or around the date of this Deed;
- (H) the fee letter between the Original Borrower and Citibank N.A., London Branch dated on or around the date of this Deed;
- (I) the fee letter between the Original Borrower and Crédit Agricole Corporate and Investment Bank dated on or around the date of this Deed;
- (J) the fee letter between the Original Borrower and HSBC Bank Plc dated on or around the date of this Deed;
- (K) the fee letter between the Original Borrower and ING Belgium SA/NV dated on or around the date of this Deed;
- (L) the fee letter between the Original Borrower and Natixis dated on or around the date of this Deed;
- (M) the fee letter between the Original Borrower and N.B.S.A. Limited dated on or around the date of this Deed;
- (N) the fee letter between the Original Borrower and Société Générale, London Branch dated on or around the date of this Deed;
- (O) the fee letter between the Original Borrower and The Standard Bank of South Africa Limited, Isle of Man Branch dated on or around the date of this Deed;
- (P) the fee letter between the Original Borrower and Standard Chartered Bank dated on or around the date of this Deed; and
- (Q) the fee letter between the Original Borrower and Sumitomo Mitsui Banking Corporation Europe Limited dated on or around the date of this Deed.

"Initial Loan" means, in relation to the Restated Facility Agreement, any loan to be made thereunder on the Effective Date for the purposes of refinancing any loan made under the Facility Agreement which matures, or is prepaid, on the Effective Date.

"Intercreditor Agreement" means the intercreditor agreement, dated 28 March 2011 as amended on 14 February 2012, between, amongst others, the Retiring Facility Agent, the Original Borrower, KEO, KEI, KED, KEG and the Security Agent.

"New Obligor" means KEEG, KES, KEISL and KEM.

"New Security Documents" means the documents listed in Schedule 5 (*New Security Documents*).

"Restated Facility Agreement" means the Facility Agreement as amended and restatement in the form attached in Schedule 1 (*Amended and Restated Facility Agreement*) of this Deed.

"Supplemental Assignment Security Documents" means:

- (A) the English law governed supplemental security assignment and debenture between KED and the Security Agent;
- (B) the English law governed supplemental security assignment and debenture between KEI and the Security Agent;
- (C) the English law governed supplemental security assignment and debenture between KEO and the Security Agent;
- (D) the Supplemental Borrower Offshore Security Assignment; and
- (E) the English law governed supplemental security assignment between KEI, KEO and the Security Agent.

“**Supplemental Borrower Offshore Security Assignment**” means the English law governed supplemental security assignment and debenture between the Original Borrower and the Security Agent.

1.3. Scope and designation

This Deed is supplemental to and amends the Facility Agreement, the Intercreditor Agreement and the Schedule of Insurances. The Original Borrower and the Retiring Facility Agent designate this Deed as a Finance Document for the purposes of the Facility Agreement and the Restated Facility Agreement.

2. REQUISITE CONSENT

The Retiring Facility Agent confirms that it has been authorised by the Exiting Lenders, the Continuing Lenders and the New Lenders to enter into this Deed as Facility Agent.

3. EFFECTIVE DATE

Other than Clause 1 (*Interpretation*), Clause 3 (*Effective Date*), Clause 21 (*Miscellaneous*), Clause 22 (*Execution as a Deed*) and Clause 23 (*Governing Law*), the provisions of this Deed shall be effective on and from the Effective Date. Clause 1 (*Interpretation*), Clause 3 (*Effective Date*), Clause 21 (*Miscellaneous*), Clause 22 (*Execution as a Deed*) and Clause 23 (*Governing Law*), are effective on and from the date of this Deed.

If the Effective Date has not occurred by the date falling 60 days after the date of this Deed (or such other date as may be agreed by all the parties to this Deed):

- (i) the provisions of this Deed (other than Clause 1 (*Interpretation*), Clause 3 (*Effective Date*), Clause 21 (*Miscellaneous*), Clause 22 (*Execution as a Deed*) and Clause 23 (*Governing Law*)) shall automatically terminate; and
- (ii) the Retiring Facility Agent shall return any amounts paid to it by any party pursuant to Clause 9 (*Utilisation under the Restated Facility Agreement*) of this Deed.

4. AMENDMENT AND RESTATEMENT OF FACILITY AGREEMENT

With effect on and from the Effective Date the Facility Agreement shall be amended to take the form set out in Schedule 1 (*Amended and Restated Facility Agreement*) to this Deed, which accordingly restates the Facility Agreement as amended by this Deed.

5. AMENDMENT OF THE INTERCREDITOR AGREEMENT

With effect on and from the Effective Date, the Intercreditor Agreement shall be amended as follows:

- (A) by amending the definition of "Acceleration Event" in the Intercreditor Agreement, by deleting the words "or clause 29.18 (*Acceleration - IFC and the Lenders*)" immediately after the words "clause 29.17 (*Acceleration - all Lenders*)";
- (B) by deleting clause 6.3 (*Exclusions*) of the Intercreditor Agreement in its entirety and replacing it with:

"6.3 Exclusions

Clause 6.2 (*Turnover by the Creditors*) shall not apply to any receipt or recovery by way of:

- (A) Close-Out Netting by a Hedging Counterparty;
 - (B) Payment Netting by a Hedging Counterparty: or
 - (C) Inter-Hedging Agreement Netting by a Hedging Counterparty
- (C) by including the clause set out in Schedule 6 (*Parallel Obligation (Covenant to pay the Security Agent)*) to this Deed as new clause 11.23 (*Parallel Obligation (Covenant to pay the Security Agent)*) of the Intercreditor Agreement; and
 - (D) by deleting clause 21 (*Governing law*) of the Intercreditor Agreement in its entirety and replacing it with:

"21 GOVERNING LAW

"This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law."

6. SCHEDULE OF INSURANCES

With effect on and from the Effective Date, the Schedule of Insurances shall be amended to take the form set out in Schedule 2 (*Schedule of Insurances*) to this Deed.

7. FACILITY CONTINUATION

- (A) The Facility Agreement, the Intercreditor Agreement and any documents executed or entered into pursuant thereto, where applicable as amended and restated by this Deed, shall continue in full force and effect save as expressly amended and restated pursuant to this Deed.
- (B) This Deed shall not prejudice or affect any liability of any parties which may have arisen under the Finance Documents prior to the Effective Date or waive or modify any obligation thereunder to the extent that such obligation was to be performed or observed at any time prior to the Effective Date.

8. WAIVED NOTICE PERIODS FOR PREPAYMENT

The Original Borrower shall repay or prepay all outstanding loans under the Facility Agreement on the Effective Date with a view to refinancing the same with Initial Loan(s) in accordance with the terms of the Restated Facility Agreement. Such repayments and refinancing shall occur on a netting basis as agreed between all the parties to this Deed. In addition, any such prepayments of such outstanding loans shall be deemed to be made in accordance with clause 10.9 (*Voluntary prepayment of Loans*) of the Facility Agreement.

9. UTILISATION UNDER THE RESTATED FACILITY AGREEMENT

- (A) Notwithstanding clause 6.2 (*Delivery of a Utilisation Request*) of the Restated Facility Agreement, a Borrower may, no later than 10:00 a.m. London time on the third Business Day before the intended Effective Date (or such other time as all the Lenders under the Restated Facility Agreement may agree), submit to the Retiring Facility Agent a signed but undated Utilisation Request (under and as defined in the Restated Facility Agreement) for any Initial Loan thereunder to be made on the proposed Effective Date.
- (B) Each Borrower hereby authorises the Retiring Facility Agent to input any missing information required to complete a Utilisation Request submitted pursuant to paragraph (A) above (including the amount of the Utilisation), for the purposes of making the relevant Initial Loan under the Restated Facility Agreement on the proposed Effective Date.
- (C) Provided that the relevant Borrower has complied with paragraph (A) above with respect to any Initial Loan under the Restated Facility Agreement, the Retiring Facility Agent shall confirm to each Lender under the Restated Facility Agreement the amount of its participation in that Initial Loan by 5:00 p.m. (London time) on the second Business Day before the intended Effective Date (or such other time as all the Lenders under the Restated Facility Agreement may agree).
- (D) Notwithstanding anything in clause 12 (*Interest Periods*) of the Restated Facility Agreement, the first Interest Period for the Initial Loan shall commence on the Effective Date and shall end on 1 March 2018. All subsequent Interest Periods shall be determined in accordance with clause 12 (*Interest Periods*) of the Restated Facility Agreement.
- (E) If all the conditions relating to the availability of the same have been met, each Lender under the Restated Facility Agreement shall make available its participation in each Initial Loan under the Restated Facility Agreement on the Effective Date.
- (F) The Original Borrower shall (or shall procure that an Obligor will), within three Business Days of demand, indemnify each Finance Party (as such term is defined in the Restated Facility Agreement) against any cost, loss or liability incurred by that Finance Party as a result of funding, or making arrangements to fund, its participation in a Utilisation requested by a Borrower in a Utilisation Request submitted in accordance with this Clause 9 but not made by reason of the operation of any one or more of the provisions of this Deed.

10. NEW OBLIGOR ACCESSION TO INTERCREDITOR AGREEMENT

- (A) Each New Obligor and the Security Agent agree that the Security Agent shall hold:

- (i) any Security in respect of Liabilities created or expressed to be created pursuant to the Finance Documents;
- (ii) all proceeds of that Security; and
- (iii) all obligations expressed to be undertaken by that New Obligor to pay amounts in respect of the Liabilities to the Security Agent as trustee for the Secured Parties (in the Finance Documents or otherwise) and secured by the Transaction Security together with all representations and warranties expressed to be given by that New Obligor (in the Finance Documents or otherwise) in favour of the Security Agent as trustee for the Secured Parties,

on trust for the Secured Parties on the terms and conditions contained in the Intercreditor Agreement.

- (B) Each New Obligor confirms that it intends to be party to the Intercreditor Agreement as an Obligor, undertakes to perform all the obligations expressed to be assumed by an Obligor under the Intercreditor Agreement and agrees that it shall be bound by all the provisions of the Intercreditor Agreement as if it had been an original party to the Intercreditor Agreement.

11. NEW LENDER ACCESSION TO INTERCREDITOR AGREEMENT

- (A) Subject to and in accordance with clause 30 (*Changes to the Lenders*) of the Restated Facility Agreement, on the Effective Date, each New Lender accedes to the Intercreditor Agreement as a Lender (as defined in the Restated Facility Agreement) and agrees to be bound by the terms of the Intercreditor Agreement as a Lender.
- (B) In consideration of each New Lender being accepted as a Lender for the purposes of the Intercreditor Agreement, each New Lender confirms to each relevant party to this Deed that, as from the Effective Date, it intends to be a party to the Intercreditor Agreement as a Lender and undertakes to perform all the obligations expressed in the Intercreditor Agreement to be assumed by a Lender and agrees that it shall be bound by all the provisions of the Intercreditor Agreement, as if it had been an original party to the Intercreditor Agreement.

12. NEW BORROWERS

The Original Borrower confirms that no Default is continuing or would occur as a result of KES and KEM becoming New Borrowers.

13. EXITING LENDERS

Subject to and in accordance with clause 30 (*Changes to the Lenders*) of the Restated Facility Agreement, on the Effective Date, each Exiting Lender shall cease to be a Lender (as defined in the Restated Facility Agreement), be party to any Finance Document (other than this Deed) and have any rights and/or obligations under the Finance Documents (other than this Deed or rights accrued up to and including the Effective Date).

14. RESIGNATION OF THE RETIRING FACILITY AGENT

- (A) Subject to the terms of this Agreement, the Retiring Facility Agent hereby provides its notice of resignation to the other Finance Parties and the Original Borrower.

- (B) With effect from the Effective Date in accordance with clause 32.12 (*Resignation of an Agent*) of the Restated Facility Agreement:
- (i) the Retiring Facility Agent shall resign in its capacity as Facility Agent under the Finance Documents;
 - (ii) the Majority Lenders shall appoint the Successor Facility Agent as the successor Facility Agent for all purposes under the Finance Documents; and
 - (iii) the Successor Facility Agent accepts such appointment.
- (C) The Retiring Facility Agent shall, at its own cost, make available to the Successor Facility Agent such documents and records and provide such assistance as the Successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.
- (D) In connection with the resignation and appointment referred to in this Clause 14 and Clause 15 (*Successor Facility Agent Accession to Interc Creditor Agreement*) of this Deed, the Retiring Facility Agent, to the extent that all or any part of the same is not transferred to the Successor Facility Agent by operation of law or pursuant to the terms of any Finance Document, on and with effect from the Effective Date:
- (i) (assigns and transfers absolutely to the Successor Facility Agent all its rights, title and interest in and under the Finance Documents; and
 - (ii) is discharged from any further obligations as Facility Agent under or in connection with the Finance Documents, other than any obligations arising before the Effective date which have not been performed by it on or before the Effective Date,
- in each case, without prejudice to any rights which the Retiring Facility Agent may have in its capacity as Facility Agent under the Finance Documents with respect to the period up to (and including) the Effective Date.
- (E) Upon appointment of a successor, the Retiring Facility Agent shall continue to remain entitled to the benefit of clauses 17.3 (*Indemnity to the Agents*) (and 32 (*Role of the Agents and the Arranger*) of the Restated Facility Agreement.

15. SUCCESSOR FACILITY AGENT ACCESSION TO INTERCREDITOR AGREEMENT

- (A) On the Effective Date, the Successor Facility Agent accedes to each of the Finance Documents to which the Retiring Facility Agent is a party (the "**Relevant Finance Documents**") as Facility Agent and agrees to be bound by the terms of the Relevant Finance Documents as the Facility Agent.
- (B) In consideration of the Successor Facility Agent being accepted as the Facility Agent for the purposes of the Relevant Finance Documents, the Successor Facility Agent confirms to each relevant party to this Deed that, as from the Effective Date, it intends to be a party to the Relevant Finance Documents as the Facility Agent and undertakes to perform all the obligations expressed in the Relevant Finance Documents to be assumed by the Facility Agent and agrees that it shall be bound by all the provisions of the Relevant Finance Documents, as if it had been an original party to the Relevant Finance Documents.

- (C) In connection with the resignation and appointment referred to in Clause 14 (*Resignation of the Retiring Facility Agent*) and this Clause 15 of this Deed, the Successor Facility Agent, on and with effect from the Effective Date:
- (i) agrees to and accepts the transfers and assignments made to it by the Retiring Facility Agent under Clause 14(D) of this Deed other than, for the avoidance of doubt, any obligations arising up to (and including) the Effective Date which have not been performed by the Retiring Agent on or before the Effective Date; and
 - (ii) is entitled to all the powers and protections which the Finance Documents confer on the Facility Agent.

16. NEW HEDGING COUNTERPARTY ACCESSION TO INTERCREDITOR AGREEMENT

- (A) On the Effective Date, each New Hedging Counterparty accedes to the Intercreditor Agreement as a Hedging Counterparty and agrees to be bound by the terms of the Intercreditor Agreement as a Hedging Counterparty.
- (B) In consideration of each New Hedging Counterparty being accepted as a Hedging Counterparty for the purposes of the Intercreditor Agreement, each New Hedging Counterparty confirms to each relevant party to this Deed that, as from the Effective Date, it intends to be a party to the Intercreditor Agreement as a Hedging Counterparty and undertakes to perform all the obligations expressed in the Intercreditor Agreement to be assumed by a Hedging Counterparty and agrees that it shall be bound by all the provisions of the Intercreditor Agreement, as if it had been an original party to the Intercreditor Agreement.

17. REPRESENTATIONS

Each Obligor makes the Repeating Representations to each Finance Party on the date of this Deed and on the Effective Date, based on the facts and circumstances existing at those times, and acknowledges that each Finance Party has entered into this Deed in full reliance on those Repeating Representations.

18. FEES AND EXPENSES

All out-of-pocket costs and expenses reasonably incurred by the Finance Parties in relation to the negotiation and documentation of the amendments to the Facility Agreement, including those relating to legal fees (in accordance with the terms of appointment agreed to by KEL), will be for the account of the Borrowers.

19. CONDITIONS PRECEDENT

Subject to Clause 3 (*Effective Date*), this Deed shall not be effective unless and until the Retiring Facility Agent has received all of the documents and other evidence listed below in form and substance satisfactory to the Retiring Facility Agent (acting on the instructions of all the Continuing Lenders and all the New Lenders), or their delivery has otherwise been waived by the Retiring Facility Agent (acting on the instructions of all the Continuing Lenders and all the New Lenders). The Retiring Facility Agent will send the notice confirming that the Effective Date nominated by it has occurred to each party to this Deed.

- (A) Provision of this Deed, duly executed by each of the parties to it.

- (B) Provision of the Fee Letters, duly executed by each of the parties to them.
- (C) Evidence that each Finance Party has completed all “know your customer” and similar checks that it is required to carry out.
- (D) Provision of each Novation Agreement, duly executed by each of the parties to them (other than the Successor Facility Agent).
- (E) Provision of each New Security Document, duly executed by each of the parties to them.
- (F) Provision of the KEG Offshore Security Assignment, duly executed by KEG.
- (G) Provision of the KEEG Offshore Project Accounts Agreement, duly executed by all the parties to it other than the Successor Facility Agent.
- (H) Provision of legal due diligence reports:
 - (i) prepared by Herbert Smith Freehills LLP in respect of the English law governed Project Agreements relating to the EG Block Assets and the Greater Tortue Block Assets (Mauritania);
 - (ii) prepared by Vieira de Almeida in respect of the EG Block Assets; and
 - (iii) prepared by Mine Abdoullah in respect of the Greater Tortue Block Assets (Mauritania).
- (I) Provision of a certified copy of each Material Contract.
- (J) Provision by each Obligor and the Chargor of a certified copy of its constitutional documents (or certification that the same have not changed since last provided, and if applicable, confirmation by each of KEFI, KEO, KEI, KED, KEH, KEG and the Chargor that the copies of the constitutional documents most recently delivered to the Retiring Facility Agent on 26 March 2014 have not been amended and remain in full force and effect as at a date no earlier than the date of this Deed), a certified copy of its certificates of incorporation (or equivalent) and, as applicable, a copy of its certificate of good standing.
- (K) Provision of a certified copy of a resolution of the board of directors of each Obligor and the Chargor approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that one or more specified persons execute the Finance Documents to which it is a party and any other documents and notices required in connection with the Finance Documents.
- (L) Provision of a copy of a resolution signed by all the holders of the issued shares in KEISL, approving the terms of, and the transactions contemplated by, the Finance Documents to which KEISL is a party.
- (M) Provision by each Obligor and the Chargor of the specimen signatures of the persons authorised to execute the Finance Documents to which it is a party and all other documents and notices required in connection with the Finance Documents.
- (N) A certificate of an Authorised Signatory of each Obligor and the Chargor certifying that:

- (i) borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar limit binding on it to be exceeded;
 - (ii) each relevant copy document listed in this clause 19 is correct, complete and in full force and effect as at a date no earlier than the date of this Deed and includes a certification as to solvency; and
 - (iii) complete and up-to-date copies of any Project Agreement to which it is a party, including all amendments in relation thereto, have been delivered to the Agents.
- (O) In respect of KEISL, either:
- (i) a certificate of an authorised signatory of the Original Borrower certifying that:
 - (a) each member of the KEL Group has complied within the relevant timeframe with any notice it has received pursuant to Part 21A of the Companies Act 2006 from KEISL; and
 - (b) no "warning notice" or "restrictions notice" (in each case as defined in Schedule 1B of the Companies Act 2006) has been issued in respect of those shares,

together with a copy of the "PSC register" (within the meaning of section 790C(10) of the Companies Act 2006) of KEISL which is certified by an authorised signatory of the Original Borrower to be correct, complete and not amended or superseded as at a date no earlier than the Effective Date; or
 - (ii) a certificate of an authorised signatory of the Original Borrower certifying that KEISL is not required to comply with Part 21A of the Companies Act 2006.
- (P) Receipt by the Retiring Facility Agent of appropriate legal opinions from Walkers, Herbert Smith Freehills LLP and Bentsi-Enchill, Letsa & Ankomah.
- (Q) Provision of evidence that KEISL has been appointed as process agent by each Obligor and the Chargor.
- (R) Provision of a copy of all notices required to be sent under the New Security Documents executed by the relevant Obligors.
- (S) Provision of an undated copy of all notices required to be sent under the KEG Offshore Security Assignment executed by KEG.
- (T) All share charges entered into pursuant to a New Security Document are perfected and fully valid and, where applicable, provision of:
- (i) share certificates and signed and undated stock or share transfer forms to the Security Agent in respect of share charges entered into pursuant to a New Security Document;

- (ii) certified copy registers of members to the Security Agent in relation to companies whose shares have been charged pursuant to a New Security Document;
 - (iii) certified copy registers of mortgages and charges to the Security Agent in relation to each Obligor incorporated in the Cayman Islands and which is granting a share charge pursuant to a New Security Document;
 - (iv) letters of undertaking from the companies whose shares are being charged pursuant to a New Security Document; and
 - (v) validly adopted shareholders' resolutions authorising the amendment to the articles of association of the companies whose shares are being, or will be, secured pursuant to a New Security Document or a Greater Tortue Security Document.
- (U) KEO shall provide a copy of its most recent audited consolidated accounts of the Group.
- (V) Provision of a copy of any other Authorisation or other document, opinion or assurance which the Retiring Facility Agent considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by this Deed or for the validity and enforceability of any Finance Document.
- (W) Evidence that the fees, costs and expenses then due from any Obligor to any Finance Party have been paid or will be paid by the Effective Date.
- (X) Kosmos shall have paid to the Retiring Facility Agent for the account of each Lender an amount which is, in aggregate, equal to:
- (i) any Break Costs payable to that Lender as at the Effective Date pursuant to clause 13.4 (*Break Costs*) of the Facility Agreement;
 - (ii) any accrued Commitment Fee, to the extent owed to that Lender; and
 - (iii) the accrued interest payable to that Lender as at the Effective Date pursuant to clause 11.3 (*Payment of Interest*) and clause 30.9 (*Pro rata interest settlement*) of the Facility Agreement.
- (Y) The Retiring Facility Agent shall have paid an amount to each Lender equal to the relevant amounts referred to it paragraph (X) above.

20. CONDITIONS SUBSEQUENT

Immediately after the occurrence of the Effective Date, the Successor Facility Agent shall execute all of the documents listed below:

- (A) each Novation Agreement; and
- (B) the KEEG Offshore Project Accounts Agreement.

21. MISCELLANEOUS

21.1. Construction

- (A) With effect from the Effective Date, references to the Facility Agreement, however expressed, will be read and construed as references to the Restated Facility Agreement.
- (B) With effect from the Effective Date, references to the Schedule of Insurances, however expressed, will be read and construed as references to the Schedule of Insurances as amended and restated in the form set out in Schedule 2 (*Schedule of Insurances*) to this Deed.
- (C) With effect from the Effective Date, references to the Intercreditor Agreement, however expressed, will be read and construed as references to the Intercreditor Agreement as amended and restated pursuant to Clause 5 (*Amendment of the Intercreditor Agreement*) of this Deed.

21.2. Incorporation of terms

The provisions of Clause 1.4(B) and (C) (*Third Party Rights*), Clause 36 (*Costs and Expenses*), Clause 37 (*Notices*), Clause 40 (*Partial Invalidity*), Clause 41 (*Remedies and waivers*), Clause 45 (*Jurisdiction*) and Clause 46 (*Service of Process*) of the Restated Facility Agreement shall be incorporated into this Deed as if set out in full in this Deed and as if references in those Clauses to "this Agreement" or "the Finance Documents" are references to this Deed.

21.3. Confirmation of Guarantees and Security

Each Obligor and the Chargor confirms for the benefit of the Finance Parties that with effect from the date of this Deed:

- (A) subject to the terms of this Deed, the Facility Agreement, the Intercreditor Agreement, the Schedule of Insurances and the other Finance Documents will remain in full force and effect, and:
 - (i) the Facility Agreement and this Deed will be read and construed as one document;
 - (ii) the Schedule of Insurances and this Deed will be read and construed as one document; and
 - (iii) the Intercreditor Agreement and this Deed will be read and construed as one document;
- (B) the guarantee and indemnity obligations set out under Clause 25 (*Guarantee and Indemnity*) of the Facility Agreement and Clause 25 (*Guarantee and Indemnity*) of the Restated Facility Agreement (the "**Guarantee and Indemnity Obligations**") shall remain in full force and effect notwithstanding the designation of any new document as a Finance Document or any additions, amendments, novation, substitution, or supplements of or to the Finance Documents and the imposition of any amended, new or more onerous obligations under the Finance Documents in relation to any Obligor and that the Guarantee and Indemnity Obligations extend to

any new obligations assumed by any Obligor under any amended or new Finance Documents; and

- (C) the Security Interests created by it pursuant to the Security Documents to which it is a party shall:
- (i) remain in full force and effect notwithstanding the designation of any new document as a Finance Document or any additions, amendments, novation, substitution, or supplements of or to the Finance Documents and the imposition of any amended, new or more onerous obligations under the Finance Documents in relation to any Obligor including but not limited to the amendments referred to in this Deed; and
 - (ii) continue to secure its Secured Liabilities under the Finance Documents as amended (including, but not limited to, under the Restated Facility Agreement and the Intercreditor Agreement, as amended pursuant to this Deed).

21.4. Counterparts

- (A) This Deed may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart.
- (B) Each counterpart shall constitute an original of this Deed, but all the counterparts shall together constitute one and the same instrument.

22. EXECUTION AS A DEED

Each of the parties intends this Deed to be a deed and confirms that it is executed and delivered as a deed, notwithstanding the fact that any one or more of the parties may only execute it under hand.

23. GOVERNING LAW

This Deed and any non-contractual obligations arising out of it or in connection with it shall be governed by and construed in accordance with English law.

IN WITNESS of which this document has been executed as a deed and delivered on the date stated at the beginning of this Deed.

Schedule 1
Amended and Restated Facility Agreement

**KOSMOS ENERGY FINANCE INTERNATIONAL, KOSMOS ENERGY SENEGAL AND
KOSMOS ENERGY MAURITANIA
as Borrowers**

- and -

**KOSMOS ENERGY FINANCE INTERNATIONAL, KOSMOS ENERGY OPERATING,
KOSMOS ENERGY INTERNATIONAL, KOSMOS ENERGY DEVELOPMENT, KOSMOS
ENERGY GHANA HC, KOSMOS ENERGY INVESTMENTS SENEGAL LIMITED, KOSMOS
ENERGY EQUATORIAL GUINEA, KOSMOS ENERGY SENEGAL AND KOSMOS ENERGY
MAURITANIA
as Guarantors**

- and -

**ABSA BANK LIMITED (ACTING THROUGH ITS CORPORATE AND INVESTMENT BANKING
DIVISION), CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, HSBC BANK PLC,
ING BELGIUM SA/NV, NATIXIS, N.B.S.A. LIMITED, SOCIETE GENERALE, LONDON
BRANCH, THE STANDARD BANK OF SOUTH AFRICA LIMITED, ISLE OF MAN BRANCH,
STANDARD CHARTERED BANK AND SUMITOMO MITSUI BANKING CORPORATION
EUROPE LIMITED
as Mandated Lead Arrangers**

- and -

**THE FINANCIAL INSTITUTIONS LISTED IN SCHEDULE 2
as Original Lenders**

AMENDED AND RESTATED

FACILITY AGREEMENT

Slaughter and May
One Bunhill Row
London
EC1Y 8YY
(SRG/PUR)
547838317

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THIS AGREEMENT is dated 28 March 2011, as amended on 14 February 2012, 27 April 2012, 25 June 2012 and 3 April 2013 and amended and restated on 23 November 2012, 14 January, 2014 and 14 March 2014 and as further amended on 30 September 2014 and 1 October 2015 and amended and restated on 5 February 2018 and made between:

- (1) **KOSMOS ENERGY FINANCE INTERNATIONAL** a company incorporated under the laws of the Cayman Islands with registered number 253656 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands (the "**Original Borrower**" or "**KEFI**");
- (2) **KOSMOS ENERGY EQUATORIAL GUINEA** a company incorporated under the laws of the Cayman Islands with registered number 269135 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KEEG**");
- (3) **KOSMOS ENERGY INVESTMENTS SENEGAL LIMITED** a company incorporated under the laws of England and Wales with company number 10520822 and having its registered office at 6th Floor 65 Gresham Street, London, United Kingdom, EC2V 7NQ ("**KEISL**");
- (4) **KOSMOS ENERGY SENEGAL** a company incorporated under the laws of the Cayman Islands with registered number 290078 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KES**");
- (5) **KOSMOS ENERGY MAURITANIA** a company incorporated under the laws of the Cayman Islands with registered number 266444 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KEM**");
- (6) **KOSMOS ENERGY OPERATING** a company incorporated under the laws of the Cayman Islands with registered number 231417 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KEO**");
- (7) **KOSMOS ENERGY INTERNATIONAL** a company incorporated under the laws of the Cayman Islands with registered number 218274 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KEI**");
- (8) **KOSMOS ENERGY DEVELOPMENT** a company incorporated under the laws of the Cayman Islands with registered number 225879 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KED**");
- (9) **KOSMOS ENERGY GHANA HC** a company incorporated under the laws of the Cayman Islands with registered number 135710 and having its registered office at P.O. Box 32322, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands ("**KEG**");
- (10) **ABSA BANK LIMITED (ACTING THROUGH ITS CORPORATE AND INVESTMENT BANKING DIVISION), CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, HSBC BANK PLC, ING BELGIUM SA/NV, NATIXIS, N.B.S.A. LIMITED, SOCIETE GENERALE, LONDON BRANCH, THE STANDARD BANK OF SOUTH AFRICA LIMITED, ISLE OF MAN BRANCH, STANDARD CHARTERED BANK AND SUMITOMO MITSUI**

BANKING CORPORATION EUROPE LIMITED as mandated lead arrangers of the Facility (each a “**Mandated Lead Arranger**” and together, the “**Mandated Lead Arrangers**”);

- (11) **ABSA BANK LIMITED (ACTING THROUGH ITS CORPORATE AND INVESTMENT BANKING DIVISION), BNP PARIBAS, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, HSBC BANK PLC, SOCIETE GENERALE LONDON BRANCH AND STANDARD CHARTERED BANK** as underwriters of the Facility (each an “**Underwriter**” and together, the “**Underwriters**”);
- (12) **THE FINANCIAL INSTITUTIONS** listed in Schedule 2 as lenders (the “**Original Lenders**”);
- (13) **SOCIETE GENERALE, LONDON BRANCH** (as the “**Technical Bank**”);
- (14) **SOCIETE GENERALE, LONDON BRANCH** (as the “**Modelling Bank**”);
- (15) **HSBC BANK PLC** as the documentation bank (the “**Documentation Bank**”);
- (16) **STANDARD CHARTERED BANK** as onshore account bank in Ghana on the terms and conditions set out in the KEG Onshore Project Accounts Agreement;
- (17) **HSBC BANK PLC** as offshore account bank in London on the terms and conditions set out in the KEG Offshore Project Accounts Agreement, the KES Offshore Project Accounts Agreement, the KEISL Offshore Project Accounts Agreement, the KEM Offshore Project Accounts Agreement and the Borrower Offshore Project Accounts Agreement;
- (18) **STANDARD CHARTERED BANK** as agent of the Finance Parties under this Agreement (the “**Facility Agent**”);
- (19) **BNP PARIBAS** in its capacity as Security Agent for the Secured Parties on the terms and conditions set out in the Intercreditor Agreement (the “**Security Agent**” which expression includes its successors in title and assigns or any person appointed as an additional trustee for the purpose of and in accordance with the Intercreditor Agreement); and
- (20) **BNP PARIBAS** as the intercreditor agent (the “**Intercreditor Agent**”).

INTRODUCTION

- (1) The Original Lenders have agreed to provide a secured, revolving and amortising loan and letter of credit facility for loans of up to USD 1.5 billion.
- (2) The parties have agreed to enter into this Agreement for the purpose of setting out the provisions on which such facility will be provided.

PART 1
INTERPRETATION

1. Definitions and Interpretation

1.1 Definitions

Each of the defined terms and interpretative provisions set out below and in the above list of parties to this Agreement shall apply to this Agreement and each Finance Document, unless an express contrary intention appears in that Finance Document.

"1992 ISDA Master Agreement" means the Master Agreement (Multicurrency Cross Border) as published by the International Swaps and Derivatives Association, Inc.

"2002 ISDA Master Agreement" means the 2002 Master Agreement as published by the International Swaps and Derivatives Association, Inc.

"Accession Letter" means a document substantially in the form set out in Schedule 9 Form of Accession Letter (*Form of Accession Letter*) of this Agreement.

"Account Bank" means, as the context so requires, either the Onshore Account Bank, the Offshore Account Bank, or both of them.

"Accounting Reference Date" means 31 December of each year.

"Additional Borrower" means a company which accedes to the terms of this Agreement as an additional borrower in accordance with clause 31 (*Changes to the Obligors*) of this Agreement.

"Additional Debt" means, in relation to any debt, any money, debt or liability due, owing or incurred under or in connection with:

- (A) any refinancing, deferral, novation or extension of that debt;
- (B) any further advance which may be made under any document, agreement or instrument supplemental to any relevant finance document together with any related interest, fees and costs;
- (C) any claim for damages or restitution in the event of rescission of that debt or otherwise in connection with any relevant finance document;
- (D) any claim against any Obligor flowing from any recovery by that Obligor or any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer of a payment or discharge in respect of that debt on the grounds of preference or otherwise; and
- (E) any amount (such as post-insolvency interest) which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowability of the same in any insolvency or other proceedings.

"Additional Guarantor" means a company which accedes to the terms of this Agreement as an additional guarantor in accordance with clause 31 (*Changes to the Obligors*) of this Agreement.

“Additional Obligor” means an Additional Borrower or an Additional Guarantor.

“Additional Oil Entitlement” shall have the meaning given to that term in the relevant Petroleum Agreement.

“Affected Administrative Party” has the meaning given to that term in clause 32.13 (*Replacement of Administrative Parties*) of this Agreement.

“Affiliate” means, in relation to any person, a subsidiary of that person or a holding company of that person or any other subsidiary of that holding company.

“Agent” means each of the Facility Agent, the Security Agent, the Intercreditor Agent, the Technical Bank and the Modelling Bank and **“Agents”** shall be construed accordingly.

“Agreed Form” means in a form agreed between the Original Borrower and the Facility Agent.

“Agreed Insurances” means the insurances to be implemented and maintained by the Obligors in accordance with the Schedule of Insurances but excluding any insurances to the extent that the cover to be maintained is not available on reasonable commercial terms or no longer reflects insurance which would be implemented and maintained in accordance with good oil industry practice or ceases to be generally available in the market and provided that a maximum aggregate of up to 30 per cent. of reinsurance may be effected through a self-insurance programmes of the Obligors (such self-insurance being captive insurance and excluding non-insurance).

“Agreement” means this facility agreement as amended, supplemented or otherwise varied from time to time after the date of the Fourth Amendment and Restatement Agreement.

“Amendment Notice Period” has the meaning given to that term in clause 32.18 (*Accession to the KEFI Intercreditor Agreement*) of this Agreement.

“Amortisation Schedule” means the amortisation schedule set out in Schedule 5 (*Amortisation Schedule*) of this Agreement, as amended, supplemented or replaced from time to time.

“Approved Accounting Principles” means US generally accepted accounting principles to the extent applicable to the relevant financial statements.

“Approved Development” means any Petroleum Asset in which an Obligor has an interest and which the Majority Lenders have agreed (acting reasonably) shall be a Borrowing Base Asset.

“Assignments” means the KEG Offshore Security Assignment, the KEG Onshore Security Assignment, the KEG Assignment of Reinsurance Rights, together with any other Security Document entered into after the Signing Date which may give rise to a liability to pay stamp duty, documentary taxes or any other similar tax, charge or impost.

“Auditor” means:

- (A) with respect to any Obligor that is not incorporated in the European Union, any one of Deloitte LLP, Ernst & Young, PriceWaterhouse Coopers LLP or such other internationally recognised auditor as the Majority Lenders may approve from time to time (acting reasonably); and

(B) with respect to any Obligor incorporated in the European Union, any firm appointed by that Obligor to act as its statutory auditor.

"Authorisation" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"Authorised Investment" means, at any time (subject to such being available), any of the following:

- (A) a US Dollar denominated institutional money market fund with at least USD 1 billion of funds and an average rate of maturity not exceeding one year;
- (B) a US Dollar denominated freely negotiable and marketable bond, treasury bill or debt security of a remaining maturity not exceeding one year issued by the United States of America or any agency or instrumentality thereof, or by any other sovereign government with a long-term credit rating of at least A3 by Moody's or A- by Standard & Poor's at such time;
- (C) a US Dollar denominated time deposit (of an original maturity not exceeding six months) made in London or New York or any other place agreed between a Borrower and the Facility Agent with a bank authorised to carry on business there whose long-term debt securities are, at such time, rated at least A3 by Moody's or A- by Standard & Poor's;
- (D) a US Dollar denominated instrument with a maturity of less than one year which has a short-term rating at such time of at least P1 by Moody's or A1 by Standard & Poor's or instruments with a maturity of less than one year issued by, or guaranteed by, entities whose short-term securities are rated at such time at least P1 by Moody's or A1 by Standard & Poor's; or
- (E) any other investment agreed between the Facility Agent and the relevant Borrower.

"Authorised Signatory" means, in relation to a company or other legal person:

- (A) one or more directors who are duly authorised whether singly or jointly, to act to bind that company or other legal person; or
- (B) a person or persons duly authorised by that company or other legal person to act to bind that company or other legal person.

"Authority" means any governmental, provincial or local government, department, authority, court, tribunal or other judicial or regulatory body, instrumentality or agency in any of the countries where the relevant Borrower or KEEG (as applicable) operates its business.

"Availability Period" means the availability period in respect of the Facility as determined in accordance with clause 6.1 (*Availability Period*) of this Agreement.

"Available Commitment" means, at any time, a Lender's Commitment minus:

- (A) the amount of its participation in any outstanding Loans; and
- (B) in relation to any proposed Utilisation, the amount of its participation in any Loans that are due to be made on or before the proposed Utilisation Date,

other than that Lender's participation in any Loans that are due to be repaid or prepaid on or before expiry of the Availability Period or all or a part of any Letters of Credit that have been cash collateralised by a Borrower depositing funds into the LC Cash Collateral Account.

"Bail-In Action" means the exercise of any Write-down and Conversion Powers.

"Bail-In Legislation" means:

- (A) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and
- (B) in relation to any other state, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

"Base Currency" has the meaning given to it in clause 34.7 (*Currency of account*).

"Basel II" has the meaning given to it in clause 16.3 (*Exceptions*).

"Basel III" means:

- (A) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: a global regulatory framework for more resilient banks and banking systems", "Basel III: international framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;
- (B) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and
- (C) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III".

"BBA Cure Period" has the meaning given to it in paragraph (A)(i) of clause 10.3 (*Aggregate outstandings exceed the Borrowing Base Amount*) of this Agreement.

"Bloc C8" means Bloc C8 offshore Mauritania being the area described in appendix 1 of the Mauritania Exploration and Production Contract, but excluding any portions of such area in respect of which the Contractor's rights thereunder are from time to time relinquished or surrendered pursuant to the Mauritania Hydrocarbon Exploration and Production Sharing Contract.

"Borrower" means KEFI, KES, KEM or any Additional Borrower unless it has ceased to be a Borrower in accordance with clause 31 (*Changes to the Obligors*).

"Borrower Insurance Proceeds Account" means an account designated

"Borrower – Insurance Proceeds Account" established by the Original Borrower with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"Borrower Offshore Proceeds Account" means an account designated "Borrower – Offshore" established by the Original Borrower with the Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"Borrower Offshore Project Accounts Agreement" means the English law governed offshore project accounts agreement, dated on or about the date of this Agreement, between the Original Borrower, the Offshore Account Bank, BNP Paribas as facility agent on that date and the Security Agent.

"Borrower Offshore Security Assignment" means the English law governed security assignment and debenture, dated on or about the date of this Agreement, between the Original Borrower and the Security Agent.

"Borrowing Base Amount" means the amount determined on a Forecast Date in accordance with clause 19.6 (*Calculation of Borrowing Base Amount*) of this Agreement.

"Borrowing Base Assets" includes all interests, rights, activities, assets, entitlements and developments of the Obligors in:

- (A) the Ghana Block Assets, including the Entitlement to all Unit Substances;
- (B) the EG Block Assets;
- (C) after satisfaction of the FID Requirements and at the Original Borrower's election, the Greater Tortue Block Assets; and
- (D) the assets in any Permitted Acquisition or Approved Development (which can be either Developed Assets or Developing Assets), which (but without prejudice to any other provision of this Agreement) the Original Borrower elects to include as a "Borrowing Base Asset",

but, in each case, excluding any of the foregoing which has ceased to be designated a Borrowing Base Asset in accordance with clause 19 (Forecasts and Calculations).

"Break Costs" means the amount (if any) by which:

- (A) the interest which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (B) the amount which that Lender would be able to obtain by placing an amount equal to the total sum received by it on deposit with a leading bank in the London interbank market for a period starting on the date of receipt or recovery and ending on the last day of the current Interest Period.

The calculation of interest for the purposes of paragraph (A) shall exclude an amount equal to the Margin for the period referred to in that paragraph where a Borrower prepays a Loan in any of the following circumstances:

- (1) under clause 10.1 (*General*) of this Agreement or if clause 10.10 (*Right of repayment and cancellation in relation to a single Lender*) of this Agreement applies; or
- (2) a Market Disruption Event has occurred in relation to that Loan and no substitute basis for determining the rate of interest has been agreed.

"Brent Forward Curve" means a Dated Brent Crude Oil forward curve for the relevant period as quoted by Platts, or such other internationally recognised quotation service as agreed between the Original Borrower and the Technical Bank (acting reasonably).

"Business Day" means a day (other than a Saturday or Sunday) when banks are open for business in London, Paris and New York.

"Cameroon Block Assets" means all activities, assets and developments in the Kombe-Nsepe Permit area and the Ndian River Block (including exploration), as such areas are described in the relevant Project Agreements set out below.

"Cash Waterfall" means the order of priority for application of amounts withdrawn from the Offshore Proceeds Accounts and the Onshore Working Capital Accounts as set out in clause 21.2 (*Withdrawals – No Default Outstanding*) of this Agreement.

"Change of Control" has the meaning given to that term in clause 10.6 (*Change of Control*) of this Agreement.

"Charge over Shares in EG JV Holdco" means the English law governed charge over KEEG's shares in EG JV Holdco to be entered into on or about the Effective Date between KEEG and the Security Agent in connection with the inclusion of the EG Block Assets as a Borrowing Base Asset.

"Charge over Shares in KEEG" means the English law governed charge over shares in KEEG to be entered into on or about the Effective Date between KEO and the Security Agent in connection with the inclusion of the EG Block Assets as a Borrowing Base Asset.

"Charge over Shares in KED" means the English law governed charge over shares in KED dated on or about the date of this Agreement between KEI and the Security Agent.

"Charge over Shares in KEG" means the English law governed charge over shares in KEG dated on or about the date of this Agreement between KED and the Security Agent.

"Charge over Shares in KEH" means the English law governed charge over shares in KEH between KEL and the "Security and Intercreditor Agent", as defined in the Revolving Credit Facility Agreement.

"Charge over Shares in KEI" means the English law governed charge over shares in KEI dated on or about the date of this Agreement between KEO and the Security Agent.

"Charge over Shares in KEISL" means the English law governed charge over shares in KEISL to be entered into between KES and the Security Agent in connection with the inclusion of the Greater Tortue Block Assets as a Borrowing Base Asset.

"Charge over Shares in KEM" means the English law governed charge over shares in KEM to be entered into between KEO and the Security Agent in connection with the inclusion of the Greater Tortue Block Assets as a Borrowing Base Asset.

"Charge over Shares in KEO" means the English law governed limited recourse charge over shares in KEO dated on or about the date of this Agreement between KEH as chargor, KEO and the Security Agent (as amended or as amended and restated from time to time).

"Charge over Shares in KES" means the English law governed charge over shares in KES to be entered into between KEO and the Security Agent in connection with the inclusion of the Greater Tortue Block Assets as a Borrowing Base Asset.

"Charge over Shares in the Original Borrower" means the English law governed charge over shares in the Original Borrower dated on or about the date of this Agreement between KEI as chargor and the Security Agent.

"Charges over Shares" means the Charge over Shares in EG JV Holdco, the Charge over Shares in KED, the Charge over Shares in KEEG, the Charge over Shares in KEG, the Charge over Shares in KEI, the Charge over Shares in KEISL, the Charge over Shares in KEM, the Charge over Shares in KEO, the Charge over Shares in KES, the Charge over Shares in the Original Borrower and each Supplemental Charge over Shares.

"Code" means the US Internal Revenue Code of 1986.

"Commitment" means:

- (A) in relation to an Original Lender, the amount set opposite its name under the heading "Commitment" in Schedule 2 of this Agreement and the amount of any other Commitment transferred to it; and
- (B) in relation to any other Lender, the amount of any Commitment transferred to it,

to the extent not cancelled, reduced or transferred by it (including pursuant to clause 6.1 (*Availability Period*) and clause 28.35 (*HY Notes Maturity Date*)).

"Completion" means, in respect of a Developing Asset, the date on which the applicable Completion Test has been satisfied (as determined by the Technical Bank acting reasonably).

"Completion Test" means in respect of a Developing Asset, the tests as agreed between the Original Borrower and the Technical Bank (acting reasonably) and approved by the Majority Lenders (acting reasonably) which must be completed to show that such asset should reasonably be considered to be a commercially producing asset (being substantially equivalent to the date of commencement of commercial production under applicable Project Agreements) in order for that Developing Asset to be included in the Borrowing Base Assets as a Developed Asset.

"Compliance Certificate" means a certificate, substantially in the form set out in Schedule 11 (*Form of Compliance Certificate*) of this Agreement

"Conditions Precedent" means the conditions precedent to initial utilisation of the Facility as set out in Part I of Schedule 3 (*Conditions Precedent*) of this Agreement.

"Confidentiality Undertaking" means a confidentiality undertaking substantially in the form of Schedule 13 (*Form of Confidentiality Undertaking*) of this Agreement or in any other form agreed between the Original Borrower and the Mandated Lead Arrangers.

"Consolidated Cash and Cash Equivalents" means, in relation to the KEL Group, at any time:

- (A) cash in hand or on deposit including, for the avoidance of doubt, restricted cash;
- (B) any investment in a liquidity fund, provided that such investment is capable of being withdrawn in cash on not more than 5 Business Days' notice;
- (C) certificates of deposit, maturing within one year after the relevant date of calculation;
- (D) any investment in marketable obligations in Sterling, US Dollar or euro having not more than three months to final maturity issued or guaranteed with a rating of A- or above by Standard and Poor's (or its equivalent by Moody's);
- (E) any other instrument, security or investment approved in writing by the Majority Lenders.

"Consolidated Total Borrowings" means, in relation to the KEL Group, at any time the aggregate of the following:

- (A) the outstanding principal amount of any Financial Indebtedness incurred;
- (B) any fixed or minimum premium payable on the repayment or redemption of any instrument referred to in paragraph (A) above; and
- (C) the outstanding principal amount of any indebtedness arising in connection with any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing,

including any interest, fees and expenses treated as capitalised under applicable Approved Accounting Principles but without double-counting and, for the avoidance of doubt, excluding any such amount or indebtedness owed by one member of the KEL Group to another member of the KEL Group.

"Consolidated Total Net Borrowings" means, for any Measurement Period, Consolidated Total Borrowings less Consolidated Cash and Cash Equivalents each as at the last day of that Measurement Period.

"Consultants" means the Technical Consultant, Environmental Consultant and the Reserves Consultant.

"Consultation Period" has the meaning given to it in clause 24.13(B) (*Forecast Notification Events*).

"Contractor" means the contractor under the EG PSC, the Mauritania Exploration and Production Contract, the Senegal Hydrocarbon Exploration and Production Sharing Contract, the WCTP PA and the DWT PA respectively from time to time.

"CRD IV" means:

- (A) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms; and
- (B) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

“**CRS**” means:

- (A) the Common Reporting Standard issued by the Organisation for Economic Cooperation and Development;
- (B) any treaty, law, regulation or other official guidance enacted in any other jurisdiction (including the Cayman Islands), or relating to an intergovernmental agreement which facilitates the implementation of paragraph (A) above; or
- (C) any agreement pursuant to the implementation of paragraphs (A) or (B) above with any governmental or taxation authority in any other jurisdiction.

“**Crude Oil**” shall have the meaning given to that term in the UUOA.

“**DCR**” means the debt cover ratio calculated pursuant to clause 27(B)(i) (*Financial Covenants*).

“**Debt Service Reserve Account**” or “**DSRA**” means an account designated “Kosmos - DSRA” established by the Original Borrower in respect of the Facility with the Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

“**Deed of Acknowledgment and Release**” means the deed of acknowledgment and release dated on or about the date of this Agreement between KEH, KEI, KED, KEG, KEFI and KEO.

“**Deed of Subordination**” means each deed of subordination in respect of Financial Indebtedness of either (i) the Obligors owed to any member of the KEL Group, or (ii) Obligors owed to KEH, in each case substantially in the form of Schedule 14 (*Form of Deed of Subordination*).

“**Default**” means an Event of Default or event which, with the giving of notice, lapse of time, or fulfilment of any condition, would constitute an Event of Default.

“**Definitions Agreement**” means the definitions agreement dated 13 July 2009 (as amended on 29 October, 2009, 24 December, 2009 and 23 August, 2010) between, inter alios, Kosmos Energy Finance (as original borrower), certain other Obligors and the Finance Parties named therein setting out the definitions and the rules of construction and interpretation used in the Finance Documents relating to the financing for the Jubilee Field Phase 1.

“**Delegate**” means any delegate, agent, attorney or co-trustee appointed by the Security Agent.

"Derivative Agreement" means an ISDA Master Agreement or similar agreement pursuant to which Derivative Transactions are entered into by any Borrower or KEEG with a counterparty.

"Derivative Transaction" means any transaction entered into under a Derivative Agreement, including (but not limited to) any transaction which is a forward rate agreement, option, future, swap, cap, floor and any combination of the foregoing.

"Developed Assets" means each of: (i) the Ghana Block Assets, (ii) the EG Block Assets, (iii) any Developing Assets which have achieved Completion and, (iv) as applicable, Approved Developments and Permitted Acquisitions which have been approved as Developed Assets in accordance with clause 19.8 (*Approved Developments and Permitted Acquisitions*).

"Developing Assets" means:

- (A) after satisfaction of the FID Requirements and if and when they become Borrowing Base Assets, the Greater Tortue Block Assets; and
- (B) as applicable, Approved Developments and Permitted Acquisitions which are to be counted as Developing Assets.

"Discharge Date" means the first date on which all liabilities (whether actual or contingent) owed to the Finance Parties (other than the Hedging Counterparties) have finally been discharged and such Finance Parties are under no further obligation to provide financial accommodation under the Finance Documents.

"Discharged Rights and Obligations" has the meaning given to it in clause 30.5 (*Procedure for transfer*).

"Dispute" has the meaning given to it in clause 45.1 (*Arbitration*).

"Disruption Event" means either or both of:

- (A) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (B) the occurrence of any other event which results in a disruption (including, without limitation, disruption of a technical or systems-related nature) to the treasury or payments operations of a Party preventing or severely inhibiting that or any other Party:
 - (i) from performing its payment obligations under the Finance Documents; or
 - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"Distributions Reserve Account" means each account designated "Kosmos - DRA" which is established and maintained by an Obligor pursuant to clause 20.6 (*Distributions Reserve Account*) of this Agreement, with any bank and in any jurisdiction (and to the extent such account is held by an Account Bank, it is not held in its capacity as Account Bank).

"Dividend Release Test" means the conditions to be satisfied under clause 28.23 (*Distributions*) of this Agreement for the payment of a Shareholder Distribution.

"DWT Block" means the Deep Water Tano area offshore Ghana, being the area described in annex 1 of the DWT PA, but excluding any portions of such area in respect of which the Contractor's rights thereunder are from time to time relinquished or surrendered pursuant to the DWT PA.

"DWT JOA" means the joint operating agreement dated 15 August 2006 between Tullow Ghana Limited, Sabre Oil and Gas Limited and KEG in respect of the DWT Block (and all amendments and supplements thereto (including pursuant to the DWT JOA Amendment Agreement, the DWT JOA Additional Amendment Agreement, the DWT JOA Second Amendment Agreement and the DWT JOA Third Amendment Agreement)).

"DWT JOA Additional Amendment Agreement" means the amendment agreement to the DWT JOA dated 12 November 2007 (effective as of 17 September 2007) between Tullow Ghana Limited, Sabre Oil and Gas Limited, KEG and Anadarko WCTP Company.

"DWT JOA Amendment Agreement" means the amendment agreement to the DWT JOA dated 18 July 2007 between Tullow Ghana Limited, Sabre Oil and Gas Limited, KEG and Anadarko WCTP Company.

"DWT JOA Second Amendment Agreement" means the amendment agreement to the DWT JOA dated 13 July 2009 between Tullow Ghana Limited, Sabre Oil and Gas Limited, KEG and Anadarko WCTP Company.

"DWT JOA Third Amendment Agreement" means the amendment agreement to the DWT JOA dated 26 October 2010 between Tullow Ghana Limited, Sabre Oil and Gas Limited, KEG and Anadarko WCTP Company.

"DWT PA" means the petroleum agreement dated 10 March 2006 between the government of Ghana, represented by its Minister for Energy, the GNPC, Tullow Ghana Limited, Sabre Oil and Gas Limited and KEG in respect of the DWT Block (and all amendments and supplements thereto).

"EBITDAX" means, in relation to the Group for any Measurement Period, its consolidated income on ordinary activities before Tax for that period, but adjusted by:

- (A) adding back Net Interest Payable;
- (B) adding back depletion and depreciation charged to the consolidated profit and loss account of the Group in accordance with the Approved Accounting Principles;
- (C) adding back amounts amortised to the consolidated profit and loss account of the Group;
- (D) adding back any amount attributable to exploration expense (except to the extent that any such exploration expenses have been capitalised);

- (E) adding back any amount attributable to unrealised losses and deducting any amount attributable to unrealised gains on the value of any Derivative Transaction. For the avoidance of doubt, any realised losses will be deducted while any realised gains will be added back;
- (F) adding back any amount attributable to a loss and deducting any amount attributable to a gain against book value on the disposal of any non-current asset and any amount attributable to an impairment charge relating to a non current asset;
- (G) adding back the amount attributable to any compensation which is paid by way of equity instruments in KEL;
- (H) adding back or deducting (as applicable) the amount attributable to any other material item of an unusual or non-recurring nature which represent gains or losses, including (but not limited to) those arising on:
 - (i) the refinancing of or the extinguishment of any financing, in relation to any cost associated with the original financing which is subsequently written off as a consequence of that refinancing or extinguishment; and
 - (ii) the restructuring of the activities of an entity and the reversal of any provisions for the cost of restructuring,

for that Measurement Period. In addition, for the purposes of the calculation of the financial covenants contained in clause 27(B) (*Financial Covenants*), EBITDAX in relation to the KEL Group for any Measurement Period shall be adjusted by:

- (a) including fifty per cent. of the EBITDAX adjustments of EG JV Holdco during that Measurement Period;
- (b) including the EBITDAX of a subsidiary of KEL or attributable to a business or asset acquired during that Measurement Period for the part of the Measurement Period when it was not a member of the KEL Group and/or the business or asset was not owned by a member of the KEL Group; and
- (c) excluding the EBITDAX attributable to any subsidiary of KEL or to any business or asset sold during that Measurement Period.

“Economic Assumptions” means the economic assumptions agreed or determined in accordance with clause 19.1 (*Forecast Procedures*) of this Agreement.

“EEA Member Country” means any member state of the European Union, Iceland, Liechtenstein and Norway.

“Effective Date” has the meaning given to the term **“Effective Date”** in the Fourth Deed of Amendment and Restatement.

“EG Block” means Block G offshore Equatorial Guinea, being the area described in annex A and annex B of the EG PSC, but excluding any portions of such area in respect of which the Contractor’s rights thereunder are from time to time relinquished or surrendered pursuant to the EG PSC.

“EG Block Assets” means all activities, assets and developments in the EG Contract Area (including exploration).

“EG Contract Area” means the portion of the original Block G contract area offshore Equatorial Guinea that contains the Ceiba and Okume complex fields.

“EG First Restated JOA” means the first restated joint operating agreement dated 1 January 2000 between Triton Equatorial Guinea, Inc. and Energy Africa Equatorial Guinea Limited in respect of the EG Block.

“EG JOA” means the joint operating agreement for field development and production dated 1 June 1999 between Triton Equatorial Guinea Inc. (a Cayman Islands company) and Energy Africa Equatorial Guinea Limited (an Isle of Man company) in respect of the EG Block (and all amendments and supplements thereto including pursuant to the EG First Restated JOA).

“EG JV” means Kosmos-Trident Equatorial Guinea Inc., a company incorporated in the Cayman Islands and which is a wholly-owned subsidiary of EG JV Holdco, with company number 68666 and having its registered office at c/- Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

“EG JV Holdco” means Kosmos-Trident International Petroleum Inc., a company incorporated in the Cayman Islands, with company number 55991 and having its registered office at c/- Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

“EG PSC” means the production sharing contract dated 26 March 1997 between the Republic of Equatorial Guinea represented by the Ministry of Mines and Energy and Triton Equatorial Guinea Inc. (a Cayman Islands company) in respect of the EG Block (and all amendments and supplements thereto (including pursuant to the EG PSC First Amendment Agreement, the EG PSC Second Amendment Agreement and the EG PSC Third Amendment Agreement)).

“EG PSC First Amendment Agreement” means the first amendment agreement to the EG PSC dated 1 January 2000 between Triton Equatorial Guinea Inc. (a Cayman Islands company), Energy Africa Equatorial Guinea Limited (an Isle of Man company) and the Republic of Equatorial Guinea represented by the Ministry of Mines and Energy.

“EG PSC Second Amendment Agreement” means the second amendment agreement to the EG PSC dated 15 December 2005 between Amerada Hess Equatorial Guinea Inc. (a Cayman Islands company), Energy Africa Equatorial Guinea Limited (an Isle of Man company) and the Republic of Equatorial Guinea represented by the Ministry of Mines, Industry and Energy.

“EG PSC Third Amendment Agreement” means the third amendment agreement to the EG PSC dated 22 October 2017 between Hess Equatorial Guinea Inc. (a Cayman Islands company), Tullow Equatorial Guinea Limited (an Isle of Man company) and the Republic of Equatorial Guinea represented by the Ministry of Mines and Hydrocarbons.

“Enforcement Action” shall have the meaning given to that term in the Intercreditor Agreement.

“Entitlement” means the Obligor’s entitlement to and lifting by tankers of its share of crude oil delivered from a Field.

“Environmental Consultant” means Shaw Consultants International, Inc., (or any other reputable environmental consultant agreed to by the Technical and Modelling Bank (acting reasonably)) appointed in accordance with a scope of work and budget for fees and expenses agreed with the Original Borrower, BNP Paribas (as facility agent at the date of appointment) and the Technical and Modelling Bank.

“EO” means the EO Group Limited, a Cayman Islands company with registered company number 219175 whose registered office is at PMB CT 123, Cantonments, 112A Adole Crescent Way, Airport, Accra, Ghana (formerly known as the KG Group Limited).

“EO Participation Agreement” means the participation agreement dated 1 June 2004 between KEG and EO (including, for the avoidance of doubt, any amendment, restatement or supplemental agreements or arrangements in relation thereto).

“Equator Principles” means those principles so titled and developed and adopted by the International Finance Corporation and various other financial institutions, as amended from time to time, details of which can be found at www.equator-principles.com.

“Equatorial Guinea” means the Republic of Equatorial Guinea.

“EU Bail-In Legislation Schedule” means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

“euro” or **“€”** is to the lawful currency for the time being of the Participating Member States.

“Event of Default” means any event or circumstance specified as such in clause 29 (*Events of Default*) of this Agreement.

“Existing Finance Documents” means the Finance Documents as defined in the Definitions Agreement.

“Existing Lender” has the meaning given to it in clause 30.1 (*Assignments and transfers and changes in Facility Office by the Lenders*).

“Facility” means the facility made available under this Agreement as described in clause 3 (*The Facility*) of this Agreement.

“Facility Office” means the office or offices notified by a Lender to the Facility Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice where notice is required under clause 32.15 (*Facility Agent relationship with the Lenders*) of this Agreement) as the office or offices through which it will perform its obligations under this Agreement.

“FATCA” means:

- (A) sections 1471 to 1474 of the Code or any associated regulations;
- (B) any treaty, law or regulation of any other jurisdiction (including the Cayman Islands), or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (A) above; or
- (C) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (A) or (B) above with the US Internal Revenue Service,

the US government or any governmental or taxation authority in any other jurisdiction.

"FATCA Application Date" means:

- (A) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014;
- (B) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the US), 1 January 2019; or
- (C) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraphs (A) or (B) above, 1 January 2019,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement.

"FATCA Deduction" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"FATCA Exempt Party" means a Party that is entitled to receive payments free from any FATCA Deduction.

"Fee Letter" means any letter or letters dated on or about the date of this Agreement or on or about the date of the Fourth Deed of Amendment and Restatement between any Finance Party and the Original Borrower setting out any of the fees referred to in clause 14 (*Fees*) of this Agreement and any other fees payable by the Original Borrower to a Finance Party pursuant to a Finance Document or payable under this Facility.

"FID Requirements" means the following conditions:

- (A) the final investment decision having been taken by KEISL and KEM for the development of the Greater Tortue Contract Area and the applicable development plan having been approved by the respective governments,
- (B) an updated reserves report prepared by the Reserves Consultant having been produced for the purpose of producing the Forecast;
- (C) the Original Borrower has delivered to the Facility Agent (i) a one-time Technical Consultant report in form and substance acceptable to the Technical Bank (exact form and consultant to be agreed by the Original Borrower and the Technical Bank) and (ii) a one-time ESIA and HSE report (exact form and consultant to be agreed by the Original Borrower and the Technical Bank), for informational purposes only;
- (D) the Original Borrower has delivered to the Facility Agent a broker's certificate in respect of the project insurances;
- (E) the Original Borrower has delivered to the Facility Agent an updated Schedule of Insurances (in a form agreed between the Original Borrower and the Facility Agent) setting out the Agreed Insurances in respect of the Greater Tortue Assets;

- (F) the Original Borrower has provided evidence to the Facility Agent that each Project Account required to be maintained by KEM, KEISL and KES under the Finance Documents have been opened with an Account Bank;
- (G) the Original Borrower has delivered to the Security Agent, or procured the delivery to the Security Agent of, any legal opinion or other document (in form and substance satisfactory to the Majority Lenders) that the Security Agent may reasonably require in connection with the entry into the Greater Tortue Security Documents; and
- (H) the Original Borrower has delivered to the Facility Agent, or procured the delivery to the Facility Agent of, a legal due diligence report (in form and substance satisfactory to the Facility Agent, acting reasonably) prepared by the Lenders' Senegalese counsel in respect of the Greater Tortue Block Assets, offshore Senegal.

"Field" means the Ghana Block Assets, the Cameroon Block Assets, the Morocco Block Assets, the Greater Tortue Block Assets, the EG Block Assets and any other onshore or offshore block or oil and gas field or reserves in which an Obligor has from time to time, directly or indirectly, acquired an interest pursuant to a Permitted Acquisition.

"Field Depletion Date" means the projected date on which it is determined (in accordance with the Forecast Assumptions) that Net Cash Flow is negative on each remaining Forecast Date following that projected date.

"Field Life Cover Ratio" or **"FLCR"** means the ratio of A to B with:

- (A) "A" being the net present value of Net Cash Flow (calculated on the basis of the Forecast Assumptions) from the relevant Forecast Date until the Field Depletion Date plus the net present value of Relevant Capital Expenditure; and
- (B) "B" being the aggregate of all Loans outstanding under the Facility on that Forecast Date.

"Final Information Memorandum" means the information memorandum agreed between the Original Borrower and the Mandated Lead Arrangers and used by the Mandated Lead Arrangers during primary syndication of the Facility.

"Final Maturity Date" means, subject to clause 28.35 (*HY Notes Maturity Date*), the earlier of: (i) 31 March, 2025 and (ii) the Reserve Tail Date.

"Final Repayment Date" means the final repayment date for the Facility determined in accordance with clause 9 (*Repayment*) and/or the Amortisation Schedule, and references to the Final Repayment Date shall be construed as a reference to any Revised Final Repayment Date which may be determined in accordance with clause 9.2 (*Amendment to Amortisation Schedule*) of this Agreement.

"Final Reports" means the reports prepared by the Reserves Consultant, the Technical Consultant and the Environmental Consultant in relation to the Borrowing Base Assets.

"Finance Document" means this Agreement, the Intercreditor Agreement, the KEFI Intercreditor Agreement, each Hedging Agreement, each Intercompany Loan Agreement, each Security Document, each Deed of Acknowledgment and Release, each Deed of Subordination, the Fourth Deed of Amendment and Restatement, each Novation Agreement and each Fee Letter and any other document designated as such by the Original Borrower and the Facility Agent.

"Finance Party" means each of the Mandated Lead Arrangers, the Lenders, the Hedging Counterparties, the LC Issuing Banks, the LC Lenders, the Account Banks, the Facility Agent, the Security Agent, the Intercreditor Agent, the Modelling Bank and the Technical Bank, and **"Finance Parties"** shall be construed accordingly.

"Financial Close" means the date on which the Facility Agent notifies the Original Borrower and the Lenders that it has received all of the Conditions Precedent in form and substance satisfactory to it (acting reasonably) and/or waived receipt of those Conditions Precedent in accordance with clause 2.1 (*Conditions Precedent to first Utilisation*).

"Financial Covenants" means the financial covenants listed under clause 27 (*Financial Covenants*) of this Agreement.

"Financial Covenant Test Date" has the meaning given to it in clause 27(A) (*Financial Covenants*) of this Agreement.

"Financial Indebtedness" means any indebtedness for or in respect of:

- (A) moneys borrowed;
- (B) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (C) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (D) the amount of any liability in respect of any lease or hire purchase contract which would be treated in the accounts of the relevant entity as a finance or capital lease;
- (E) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (F) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the market to market value shall be taken into account);
- (G) any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition but which is classified as a borrowing in the accounts of the relevant entity;
- (H) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of an entity which is not a member of the Group and which underlying liability would fall within one of the other paragraphs of this definition if it were a liability of a member of the Group; and
- (I) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (A) to (H) above (but only to the extent that the Financial Indebtedness supported thereby is or is at any time in the future capable of being outstanding).

"Financing Costs" means all amounts of interest, fees, commitment fees, or other costs and scheduled principal instalments payable by the Obligors under the Finance Documents.

“**First Currency**” has the meaning given to it in clause 17.1 (*Currency indemnity*).

“**Forecast**” means each Forecast prepared in accordance with clause 19 (*Forecasts and Calculations*) of this Agreement.

“**Forecast Assumptions**” means the assumptions used in the production of a Forecast.

“**Forecast Date**” means:

- (A) the date on which an asset becomes a Borrowing Base Asset;
- (B) 31 March in each year commencing on and from 31 March 2019;
- (C) any other date designated by the Original Borrower which falls no more than 90 days after the date on which the Reserves Consultant has, at the request of the Original Borrower, produced a new or updated reserves report, provided that such reserves report is produced on or after 31 March 2018;
- (D) the date of disposal of a Borrowing Base Asset (other than a Permitted Disposal which falls under any of paragraphs (D) to (G) of the definition of “Permitted Disposal” set out below);
- (E) on request by the Majority Lenders on any date after the Effective Date and before the date falling 12 months after the Effective Date upon which the Majority Lenders (acting reasonably) determine that an event (or series of events) or circumstance or any effect or consequence thereof has occurred (other than any fluctuation or change in crude oil prices) that could reasonably be expected to have a Material Adverse Effect, provided that, before making such determination, the Majority Lenders must first consult with the Original Borrower in good faith for not less than 5 Business Days;
- (F) on request by the Original Borrower on any date immediately prior to the expiry of any BBA Cure Period if the Original Borrower is of the reasonable opinion that if a new Forecast were to be prepared, it would, or is likely to demonstrate that the aggregate of the outstandings under the Facility on that date does not exceed the Borrowing Base Amount as determined in that Forecast; and
- (G) any date designated by the Facility Agent pursuant to clause 24.13(B) (*Forecast Notification Events*).

“**Forecast Notification Event**” means any of the following events:

- (A) total annual production across all of the Borrowing Base Assets for any applicable year is reasonably expected by the Original Borrower to be at least 15% below the annual production forecast for that year; and
- (B) an uninterrupted period of at least 60 days occurs during which (A) historical dated Brent oil prices have been on average 15% below the relevant price deck used in the applicable Forecast, and/or (B) realised dated Brent oil prices (inclusive of the Borrowers’ and KEEG’s hedging arrangements) have been on average below the relevant price deck used in the applicable Forecast.

“**Forecast Period**” means, in the case of the first Forecast Period, the period commencing on the date of Financial Close and ending at close of business on the first Forecast Date

and, in the case of any subsequent Forecast Period, the period commencing on the expiry of the immediately preceding Forecast Period and ending at close of business on the next Forecast Date.

"Forecasting Procedures" means the procedures set out under clause 19 (*Forecasts and Calculations*) of this Agreement for preparing a Forecast.

"Fourth Deed of Amendment and Restatement" means the deed of amendment and restatement entered into on or about 5 February 2018 between, amongst others, the Original Borrower, the Original Guarantors, KEEG, KES, KEM, BNP Paribas (as Security Agent and retiring facility agent) and Standard Chartered Bank (as Facility Agent) in relation to the fourth amendment and restatement of this Agreement.

"FPSO" means a floating production, storage and offloading vessel.

"FPSO Construction Financing" means any financing arrangements in relation to the construction of the FPSO to which an Obligor or member of the Group is a party.

"Ghanaian Cedi" means the lawful currency of Ghana.

"Ghana" means the Republic of Ghana, West Africa.

"Ghana Block Assets" means all activities, assets and developments in the Ghana Contract Area (including exploration).

"Ghana Blocks" means the WCTP Block and the DWT Block.

"Ghana Contract Area" shall have the meaning given to the term "Contract Area" in the WCTP PA or the DWT PA, as appropriate, or in any new petroleum agreements in Ghana applying to any part of such areas.

"Ghana Working Capital Cedi Account" means a Ghanaian Cedi account designated "Kosmos – Onshore Working Capital Account" established by KEG with the Onshore Account Bank in Ghana pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"Ghana Working Capital USD Account" means a USD account designated "Kosmos – Onshore Working Capital Account" established by KEG with the Onshore Account Bank in Ghana pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"GNPC" means the Ghana National Petroleum Corporation, a public corporation established by Provisional National Defence Council Law 64 of 1983.

"Government" means the government of Equatorial Guinea, the government of Ghana, the government of Mauritania, the government of Senegal, or the government of any other country in which a Borrowing Base Asset is situated, as appropriate.

"Greater Tortue Block Assets" means all activities, assets and developments in the Greater Tortue Contract Area (including exploration).

"Greater Tortue Contract Area" means the "Exploration Perimeter" for Bloc C8 as defined in the Mauritania Exploration and Production Contract and the "Contract Area" as defined

in the Senegal Hydrocarbon Exploration and Production Sharing Contract for the Saint Louis Profond Block.

“Greater Tortue Security Documents” means each of the following documents:

- (A) the KEISL Offshore Security Assignment;
- (B) the KES Offshore Security Assignment;
- (C) the KEM Offshore Security Assignment;
- (D) the Charge over Shares in KEISL;
- (E) the Charge over Shares in KES;
- (F) the Charge over Shares in KEM;
- (G) the KEISL Offshore Project Accounts Agreement;
- (H) the KES Offshore Project Accounts Agreement;
- (I) the KEM Offshore Project Accounts Agreement; and
- (J) any other document reasonably requested by the Facility Agent.

“Gross Revenues” means, for the relevant period of determination and without double counting, the USD equivalent of each of the following amounts to the extent received (or projected to be received or which are credits to an interest or account of an Obligor) by or on behalf of an Obligor (including the USD equivalent of any payment in kind) during that period from or in respect of the Borrowing Base Assets (other than any amount received or held on behalf of an Interested Third Party which is not related to a Borrowing Base Asset whether in cash or in kind):

- (A) amounts received or to be received from the sale of crude oil, condensate, natural gas liquids and all output and product from the Borrowing Base Assets or otherwise received or to be received pursuant to any Project Agreement;
- (B) amounts representing interest on the Project Accounts and interest or distributions or income of any kind in respect of Authorised Investments;
- (C) all refunds of tax of any kind;
- (D) all Insurance Proceeds;
- (E) all damages or other payments for termination or non-performance or failure to perform or variation under any contract;
- (F) all net amounts received under any Derivative Agreement;
- (G) all amounts received in respect of any Permitted Disposal; and
- (H) all other amounts which fall to be credited to the profit and loss account of an Obligor for the financial year in which the relevant period falls.

"Group" means KEO and each of its subsidiaries.

"Guarantor" means each Original Guarantor, KEFI, KEEG, KEISL, KES, KEM or any Additional Guarantor.

"Hedging Agreement" means an ISDA Master Agreement or similar agreement pursuant to which Hedging Transactions are entered into by a Borrower or KEEG with a Hedging Counterparty and where the liability of the Obligors thereunder are secured by the Security Documents.

"Hedging Counterparty" means:

- (A) any person which is named on the signing pages of the Intercreditor Agreement as a Hedging Counterparty and;
- (B) any person which becomes a Party as a Hedging Counterparty pursuant to Clause 13.5 (*Agent Accession Undertaking*) of the Intercreditor Agreement.

"Hedging Transaction" means any transaction entered into under a Hedging Agreement, including (but not limited to) any transaction which is a forward rate agreement, option, future, swap, cap, floor and any combination of the foregoing.

"HY Noteholder Trustee Amendments" has the meaning given to that term in clause 32.18(A) (*Accession to the KEFI Intercreditor Agreement*)

"HY Noteholders" means the holders of the HY Notes from time to time.

"HY Notes" means the senior secured notes issued by KEL from time to time pursuant to the terms of the HY Note Indenture.

"HY Note Indenture" means the indenture pursuant to which all or any of the HY Notes are constituted or any other agreement under which HY Notes are constituted and any other agreement under which any guarantee for the HY Notes is given.

"HY Notes Maturity Date" means 1 August 2021.

"ICR" means the interest cover ratio calculated pursuant to clause 27(B)(ii) (*Financial Covenants*).

"IFC" means International Finance Corporation.

"IFC Commitment" has the meaning given to it in paragraph (A) of clause 3.4 (*IFC as Additional Lender*) of this Agreement.

"IFC Facility" has the meaning given to it in paragraph (A) of clause 3.4 (*IFC as Additional Lender*) of this Agreement.

"IFC Rebalancing" has the meaning given to it in paragraph (C) of clause 3.4 (*IFC as Additional Lender*) of this Agreement.

"Illegality Lender" has the meaning given to that term in clause 10.2 (*Illegality*) of this Agreement.

"Increased Costs" has the meaning given to that term in clause 16.1 (*Increased costs*) of this Agreement.

"Insolvency Event" means, in relation to any Obligor, any circumstances described in clause 29.6 (*Insolvency*) of this Agreement.

"Insolvency Proceedings" means, in relation to any Obligor, any circumstances described in clause 29.7 (*Insolvency proceedings*) of this Agreement.

"Insurance" or **"Insurances"** means any or all of the contracts of insurance which the Obligors required from time to time to purchase or procure and maintain pursuant to the Schedule of Insurances.

"Insurance Proceeds" means all moneys which may at any time be or become payable to or received by an Obligor (other than proceeds in respect of third party liability insurances) under or pursuant to the Agreed Insurances and any reinsurance contract in which the relevant Obligor has an interest.

"Insurance Proceeds Accounts" means any of the KED Insurance Proceeds Account, the KEG Insurance Proceeds Account, the KEI Insurance Proceeds Account, the KEO Insurance Proceeds Account, the Borrower Insurance Proceeds Account and any account deemed to be an "Insurance Proceeds Account" in accordance with clause 20 (*Bank Accounts and Cash Management*) and which is secured in favour of the Secured Parties, each an **"Insurance Proceeds Account"**.

"Intercompany Loan Agreement" means each loan agreement in Agreed Form pursuant to which a Borrower makes advances to an Obligor from the proceeds of a Utilisation under the Facility.

"Intercreditor Agreement" means the English law governed intercreditor agreement, entered into on or about the date of this Agreement, between, amongst others, BNP Paribas as facility agent on that date, the Lenders, the Hedging Counterparties, the Original Borrower and the Security Agent, as amended from time to time.

"Interest Period" means, in relation to a Loan, each period determined in accordance with clause 12 (*Interest Periods*) of this Agreement and, in relation to an Unpaid Sum, each period determined in accordance with clause 11.4 (*Default interest*) of this Agreement.

"Interested Third Party" has the meaning given to the term in clause 20.2(A)(iii) (*Other bank accounts*) of this Agreement.

"Interpolated Screen Rate" means, in relation to LIBOR for any Loan, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

- (A) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Interest Period of that Loan; and
- (B) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of that Loan,

each as of the Specified Time for the currency of that Loan.

"IPO" means in relation to a company, a transaction in which shares in that company are sold or issued to investors and in connection with such sale or issue are admitted to trading on a regulated market or other stock exchange.

"IPO Reorganisation" means any Reorganisation implemented by KEH, or any of its Subsidiaries from time to time (or any group of them), which is undertaken for the purpose of facilitating an IPO.

"ISDA Master Agreement" means the 1992 ISDA Master Agreement or the 2002 ISDA Master Agreement, as the case may be.

"Joint Operating Agreements" means:

- (A) the DWT JOA;
- (B) the WCTP JOA;
- (C) the EG JOA;
- (D) the Mauritania JOA; and
- (E) the Senegal JOA.

"Jubilee Field" means the hydrocarbon accumulation so named that is located approximately 63km offshore Ghana and which extends across the Ghana Blocks.

"Jubilee Field Phase 1" means the Phase 1 development of the Jubilee Field, as described in the Phase 1 Plan of Development for the Jubilee Field, including the Project Infrastructure and all appraisal, exploration, construction, operations, maintenance and exploitation works and activities, and the treatment, processing, storage, delivery, lifting and sale of Unit Substances therefrom.

"KED Insurance Proceeds Account" means an account designated "KED – Insurance Proceeds Account" established by KED with the Offshore Account Bank in London pursuant to clause 20 (Bank Accounts and Cash Management) of this Agreement which is secured in favour of the Secured Parties.

"KED Offshore Proceeds Account" means an account designated "Kosmos Energy Development – Offshore" established by KED with the Offshore Account Bank in London pursuant to clause 20 (Bank Accounts and Cash Management) of this Agreement which is secured in favour of the Secured Parties.

"KED Offshore Security Assignment" means the English law governed security assignment and debenture, dated on or about the date of this Agreement, between KED and the Security Agent.

"KEEG Offshore Proceeds Account" means an account or accounts where the designated name includes the words "Kosmos Energy Equatorial Guinea – Offshore" established by KEEG with the Account Bank in London pursuant to clause 20 (Bank Accounts and Cash Management) of this Agreement which is secured in favour of the Secured Parties.

"KEEG Offshore Project Accounts Agreement" means the English law governed offshore project accounts agreement, dated on or about the Effective Date, between KEEG, the Offshore Account Bank, the Facility Agent and the Security Agent.

"KEEG Offshore Security Assignment" means the English law governed security assignment and debenture, dated on or about the Effective Date, between KEEG and the Security Agent.

"KEEG/Trident Shareholders' Agreement" means the English law governed shareholders' agreement relating to EG JV Holdco dated 23 October 2017 between Kosmos Energy Equatorial Guinea and Trident Energy E.G. Operations, Ltd.

"KEFI Intercreditor Agreement" means the English law governed intercreditor agreement dated 23 November 2012 between the Security Agent, KEFI, KEL, Standard Chartered Bank as RCF Agent and BNP Paribas as security and intercreditor agent and as proceeds agent, for and on behalf of the Finance Parties and the "Security and Intercreditor Agent" for and on behalf of the "Finance Parties", both terms as defined in the KEL Guarantee.

"KEG Assignment of Reinsurance Rights" means the English law governed deed of insurance and reinsurance assignment to be entered into in accordance with the terms of this Agreement, between the insurers, the Security Agent and KEG.

"KEG Insurance Proceeds Account" means an account designated "KEG – Insurance Proceeds Account" established by KEG with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"KEG Offshore Proceeds Account" means an account or accounts where the designated name includes the words "Kosmos Energy Ghana HC – Offshore" established by KEG with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"KEG Offshore Project Accounts Agreement" means the English law governed offshore project accounts agreement, dated on or about the date of this Agreement, between KEG, the Offshore Account Bank and BNP Paribas as facility agent on that date and BNP Paribas as Security Agent.

"KEG Offshore Security Assignment" means the English law governed security assignment and debenture to be entered into in accordance with the terms of this Agreement, between KEG and the Security Agent.

"KEG Onshore Project Accounts Agreement" means the Ghanaian law governed onshore project accounts agreement dated on or about the date of this Agreement, between KEG, the Onshore Account Bank and BNP Paribas as facility agent on that date and BNP Paribas as Security Agent.

"KEG Onshore Security Assignment" means the Ghanaian law governed debenture to be entered into in accordance with the terms of this Agreement between KEG and the Security Agent.

"KEH" means Kosmos Energy Holdings, a company incorporated under the laws of the Cayman Islands with registered number 133483 and having its registered office at PO Box 32332, 4th Floor, Century Yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman KY1-1209, Cayman Islands.

"KEI and KEO Offshore Security Assignment" means the English law governed security assignment dated on or about the date of this Agreement between KEI, KEO and the Security Agent.

"KEI Insurance Proceeds Account" means an account designated "KEI – Insurance Proceeds Account" established by KEI with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"KEI Offshore Proceeds Account" means an account designated "Kosmos Energy International – Offshore" established by KEI with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"KEI Offshore Security Assignment" means the English law governed security assignment and debenture, dated on or about the date of this Agreement, between KEI and the Security Agent.

"KEISL Offshore Proceeds Account" means an account or accounts where the designated name includes the words "Kosmos Energy Investments Senegal Limited – Offshore" established by KEISL with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"KEISL Offshore Project Accounts Agreement" means the English law governed offshore project accounts agreement, to be entered into, in accordance with the terms of this Agreement, between KEISL, the Offshore Account Bank, the Facility Agent and the Security Agent in connection with the inclusion of the Greater Tortue Block Assets as a Borrowing Base Asset.

"KEISL Offshore Security Assignment" means the English law governed security assignment and debenture, to be entered into, in accordance with the terms of this Agreement, between KEISL and the Security Agent in connection with the inclusion of the Greater Tortue Block Assets as a Borrowing Base Asset.

"KEL" means Kosmos Energy Ltd., a company incorporated under the laws of Bermuda with registered number 45011 and having its registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

"KEL Group" means KEL and each of its direct and indirect subsidiaries.

"KEL Guarantee" means the deed of guarantee entered by BNP Paribas as security and intercreditor agent, Kosmos Energy Limited, Kosmos Energy Operating, Kosmos Energy International, Kosmos Energy Development, Kosmos Energy Ghana HC and Kosmos Energy Finance International, dated on or around the date of this Agreement.

"KEM Offshore Proceeds Account" means an account or accounts where the designated name includes the words "Kosmos Energy Mauritania – Offshore" established by KEM with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"KEM Offshore Project Accounts Agreement" means the English law governed offshore project accounts agreement, to be entered into, in accordance with the terms of this Agreement, between KEM, the Offshore Account Bank, the Facility Agent and the Security Agent in connection with the inclusion of the Greater Tortue Block Assets as a Borrowing Base Asset.

"KEM Offshore Security Assignment" means the English law governed security assignment and debenture, to be entered into, in accordance with the terms of this Agreement, between KEM and the Security Agent in connection with the inclusion of the Greater Tortue Block Assets as a Borrowing Base Asset.

"KEO Insurance Proceeds Account" means an account designated "KEO – Insurance Proceeds Account" established by KEO with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"KEO Offshore Proceeds Account" means an account designated "Kosmos Energy Operating – Offshore" established by KEO with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"KEO Offshore Security Assignment" means the English law governed security assignment and debenture, dated on or about the date of this Agreement, between KEO and the Security Agent.

"KES Offshore Proceeds Account" means an account or accounts where the designated name includes the words "Kosmos Energy Senegal – Offshore" established by KES with the Offshore Account Bank in London pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement which is secured in favour of the Secured Parties.

"KES Offshore Project Accounts Agreement" means the English law governed offshore project accounts agreement, to be entered into, in accordance with the terms of this Agreement, between KES, the Offshore Account Bank, the Facility Agent and the Security Agent in connection with the inclusion of the Greater Tortue Block Assets as a Borrowing Base Asset.

"KES Offshore Security Assignment" means the English law governed security assignment and debenture, to be entered into, in accordance with the terms of this Agreement, between KES and the Security Agent in connection with the inclusion of the Greater Tortue Block Assets as a Borrowing Base Asset.

"LC Cash Collateral Account" means an account designated "Kosmos - LC Cash Collateral Account" which is established and maintained by the Original Borrower pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement, with the relevant LC Issuing Bank or Lender (as applicable, in accordance with the terms of clause 7.1(B)(viii)(a)), which is secured in favour of the relevant LC Issuing Bank or Lender, as applicable.

"LC Issuing Bank" means each Lender appointed to such role from time to time and who issues, pursuant to clause 7.6 (*Issue of Letters of Credit*) of this Agreement, a Letter of Credit.

"LC Lender" means each Lender participating in a Letter of Credit, unless otherwise agreed.

"Lender" means:

- (A) any Original Lender; and
- (B) any bank or financial institution which has become a Party as a lender in accordance with clause 30 (*Changes to the Lenders*) of this Agreement,

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

"Lender Accession Notice" means a lender accession notice substantially in the form set out in Schedule 8 (*Form of Lender Accession Notice*).

"Letter of Credit" means a letter of credit:

- (A) substantially in the form set out in Schedule 12 (*Form of Letter of Credit*) of this Agreement subject to such amendments as any beneficiary may reasonably require;
- (B) in such form as already issued by the Original Borrower on the date of this Agreement (together with such amendments as may reasonably be required by the beneficiary thereunder); or
- (C) in any other form requested by the Original Borrower and agreed by the Facility Agent (pursuant to instructions from the Majority Lenders (acting reasonably)) and each LC Lender.

"LIBOR" means, in relation to any Loan:

- (A) the applicable Screen Rate;
- (B) (if no Screen Rate is available for the Interest Period of that Loan) the Interpolated Screen Rate for that Loan; or
- (C) if:
 - (i) no Screen Rate is available for the currency of that Loan; or
 - (ii) no Screen Rate is available for the Interest Period of that Loan and it is not possible to calculate an Interpolated Screen Rate for that Loan,
 the Reference Bank Rate,

as of, in the case of paragraphs (A) and (C) above, the Specified Time for the currency of that Loan and for a period equal in length to the Interest Period of that Loan and if any such rate is less than zero, LIBOR shall be deemed to be zero.

"Liquidity Statement" has the meaning given to it in clause 24.8 (*Sources and Uses*).

"Loan" means each loan or Letter of Credit made or to be made under this Agreement or the principal amount outstanding for the time being of that loan or Letter of Credit.

"Loan Life Cover Ratio" or **"LLCR"** means the ratio of A to B with:

- (A) "A" being the net present value of Net Cash Flow (calculated on the basis of the Forecast Assumptions) from the relevant Forecast Date until the Final Maturity Date plus the net present value of Relevant Capital Expenditure; and
- (B) "B" being the aggregate of all Loans outstanding under the Facility on the relevant Forecast Date.

"Majority Lenders" means, as applicable, those Lenders whose participation in advances under the Facility are equal to 66⅔ per cent. of the aggregate advances then outstanding, or if there are no advances outstanding, whose Commitments then aggregate at least 66⅔ per cent. of the Total Commitments under the Facility.

"Margin" means the percentage rate per annum determined in accordance with clause 11.2 (*Margin*) of this Agreement.

"Market Disruption Event" has the meaning given to that term in clause 13.2 (*Market disruption*) of this Agreement.

"Material Adverse Effect" means, in relation to any event (or series of events) or circumstance which occurs or arises (other than fluctuations in crude oil prices), that event (or events) or circumstance (or any effect or consequence thereof), in the opinion of the Majority Lenders, would reasonably be expected materially and adversely to affect the financial condition, operations, or business of any Obligor or the Borrowing Base Assets, or the ability of any Obligor to perform its obligations under the Finance Documents in full and on the basis contemplated therein in a way which is materially prejudicial to the interests of the Lenders or results in the Obligors being unable to pay any amounts when due and payable under the Finance Documents.

"Material Contracts" means the following contracts and agreements in Agreed Form at the Effective Date (including all amendments and supplements thereto):

- (A) Jubilee Field Unit Second Crude Oil Lifting Agreement between Ghana National Petroleum Corporation, Tullow Ghana Limited, Kosmos Energy Ghana HC, Anadarko WCTP Company and Sabre Oil & Gas Holdings Limited dated 1 March 2013;
- (B) Agreement in respect of the Engineering, Procurement, Installation, Commissioning and Charter (EPIC+Charter) of an Integrated FPSO Facility for the TEN Development Project (Contract No. ORD-TGHA1058081) between Tullow Ghana Limited and T.E.N. Ghana MV25 B.V. dated 14 August 2013;
- (C) Agreement for Provision of FPSO Operations and Maintenance Services for the TEN Development Project between Tullow Ghana Limited and T.E.N. Ghana MV25 B.V. dated 14 August 2013;
- (D) Agreement for the Operation and Maintenance of a Floating, Production, Storage and Offloading (FPSO) Facility for the Jubilee Field Unit between Tullow Ghana Limited and Modec Management Services Private Limited dated 29 December 2011;
- (E) TEN Field Crude Oil Lifting Agreement between Ghana National Petroleum Corporation, Tullow Ghana Limited, Kosmos Energy Ghana HC, Anadarko WCTP Company and Petrosa Ghana Limited dated 30 August 2016;
- (F) Jubilee Field Master Crude Sales Agreement between Glencore Energy UK Limited and Kosmos Energy Ghana HC dated 16 December 2015;
- (G) TEN Field Master Crude Sales Agreement between Glencore Energy UK Limited and Kosmos Energy Ghana HC dated 13 September 2016;

- (H) Okume Complex and FPSO Sendje Ceiba Management, Operations and Maintenance Agreement between Hess Equatorial Guinea, Inc. and Wood Group Equatorial Guinea Limited dated 1 July 2006;
- (I) Ceiba Field, Block G Crude Oil Lifting Agreement between the Republic of Equatorial Guinea, Triton Equatorial Guinea, Inc. and Energy Africa Equatorial Guinea Limited dated 1 October 2001; and
- (J) Agreement for the Marketing and Offtake of Ceiba Blend Crude Oil between Hess Equatorial Guinea, Inc. and BP Oil International Limited dated 28 November 2017.

"Mauritania" means the Islamic Republic of Mauritania.

"Mauritania Amended Farmout Agreement" means the deed of amendment dated 14 August 2017 between KEM and BP Mauritania Investments Limited in relation to the Mauritania Farmout Agreement.

"Mauritania Exploration and Production Contract" means the exploration and production contract dated 5 April 2012 between Mauritania represented by the Minister in Charge of Crude Hydrocarbons and KEM in respect of Bloc C8 (and all amendments and supplements thereto (including pursuant to the Mauritania Exploration and Production Contract First Amendment Agreement, the Mauritania Exploration and Production Contract Second Amendment Agreement, the Mauritania Exploration and Production Contract Third Amendment Agreement, the Mauritania First Deed of Novation and Assignment and Transfer, the Mauritania Second Deed of Novation and Assignment and Transfer, the Mauritania Farmout Agreement and the Mauritania Amended Farmout Agreement)).

"Mauritania Exploration and Production Contract First Amendment Agreement" means the first amendment agreement relating to the Mauritania Exploration and Production Contract dated 06 September 2012 between Mauritania represented by the Minister of Petroleum, Energy and Mines and KEM in respect of Bloc C8.

"Mauritania Exploration and Production Contract Second Amendment Agreement" means the second amendment agreement relating to the Mauritania Exploration and Production Contract dated 17 June 2013 between Mauritania represented by the Minister of Petroleum, Energy and Mines and KEM in respect of Bloc C8.

"Mauritania Exploration and Production Contract Third Amendment Agreement" means the third amendment agreement relating to the Mauritania Exploration and Production Contract dated 15 December 2015 between Mauritania represented by the Minister of Petroleum, Energy and Mines, KEM, La Société Mauritanienne des Hydrocarbures et de Patrimoine Minier and Chevron Mauritania Exploration Limited in respect of Bloc C8.

"Mauritania Farmout Agreement" means the farmout agreement concerning blocks C6, C8, C12 and C13, offshore Mauritania entered into between KEM and BP Exploration (West Africa) Limited dated 15 December 2016.

"Mauritania First Deed of Novation and Assignment and Transfer" means the deed of assignment in respect of the Mauritania Exploration and Production Contract dated 18 March 2015 between KEM, Chevron Mauritania Exploration Limited and Société Mauritanienne des Hydrocarbures et de Patrimoine Minier (previously named Société Mauritanienne des Hydrocarbures).

"Mauritania JOA" means the joint operating agreement dated 13 September 2012 between KEM and Société Mauritanienne des Hydrocarbures (the national oil company of Mauritania incorporated by decree No.2005-106 dated 7 November 2004) in respect of Bloc C8 (and all amendments and supplements thereto (including pursuant to the Mauritania JOA Amendment and Restatement Agreement, the Mauritania Second Deed of Novation and Assignment and Transfer and the Mauritania JOA Novation and Amendment Agreement)).

"Mauritania JOA Amendment and Restatement Agreement" means the amendment and restatement agreement in respect of the Mauritania JOA dated 1 December 2014 between KEM, Chevron Mauritania Exploration Limited and Société Mauritanienne des Hydrocarbures et de Patrimoine Minier (previously named Société Mauritanienne des Hydrocarbures).

"Mauritania JOA Novation and Amendment Agreement" means the novation and amendment agreement in respect of the Mauritania JOA dated 16 March 2017 between KEM, BP Mauritania Investments Limited (formerly BP Exploration (West Africa) Limited) and Société Mauritanienne des Hydrocarbures et de Patrimoine Minier (previously named Société Mauritanienne des Hydrocarbures).

"Mauritania Second Deed of Novation and Assignment and Transfer" means the deed of novation and assignment and transfer concerning Bloc C8 entered into between KEM, Chevron Mauritania Exploration Limited and Société Mauritanienne des Hydrocarbures et de Patrimoine Minier (previously named Société Mauritanienne des Hydrocarbures) dated 9 June 2016.

"Measurement Period" means, in respect of the calculation of the DCR or the ICR, the period of 12 months ending on the Financial Covenant Test Date in question.

"Model" means the computer model in the Agreed Form at the Signing Date, as such model may be updated from time to time pursuant to clause 19 (*Forecasts and Calculations*) of this Agreement.

"Model Auditor" means, as at the date of this Agreement, Operis Group plc appointed in accordance with a scope of work and budget for fees and expenses agreed with the Original Borrower, BNP Paribas (as facility agent at the date of appointment) and the Technical and Modelling Bank.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation and any successor thereto and if such corporation shall for any reason no longer perform the functions of a securities rating agency, Moody's shall be deemed to refer to any other internationally recognised rating agency agreed by the Facility Agent and the Original Borrower (both acting reasonably).

"Morocco Block Assets" means all activities, assets and developments in the Boujdour offshore area of interest in Morocco (including exploration), as such area of interest is further described in the relevant Project Agreements defined below.

"Net Cash Flow" means, for any relevant period (but without any double counting):

- (A) Net Revenues; minus
- (B) Project Costs,

projected to be paid or received during that period converted if necessary into USD at the rate of exchange used in the Forecast Assumptions on the date of projected receipt or payment.

"Net Interest Payable" means, in relation to the KEL Group for any Measurement Period, Total Interest Payable less Total Interest Receivable for the KEL Group during that Measurement Period.

"Net Revenues" means Gross Revenues minus Royalty Payments and Additional Oil Entitlement payments.

"New Lender" has the meaning given to it in clause 30.1 (*Assignments and transfers and changes in Facility Office by the Lenders*).

"New Project Agreement" means any project agreement relating to any Approved Development or Permitted Acquisition over which the Lenders have, or are to receive, a Security Interest.

"Non-Funding Lender" means:

- (A) any Lender who fails to participate in any Utilisation in the amount and at the time required;
- (B) any Lender who has indicated publicly or to the Facility Agent or an Obligor that it does not intend to participate in all or part of any Utilisation;
- (C) any Lender which has repudiated its obligations under the Facility; or
- (D) any Lender in respect of which or in respect of whose holding company any of the events specified in clause 29.6 (*Insolvency*) or clause 29.7 (*Insolvency proceedings*) of this Agreement (disregarding paragraph (B) of clause 29.7) (*Insolvency proceedings*) applies or has occurred.

"Novation Agreements" means each of the following documents:

- (A) the Ghanaian law governed novation agreement, dated on or about the Effective Date, between KEG, Standard Chartered Bank (as the Onshore Account Bank), BNP Paribas (as the Security Agent and outgoing facility agent) and the Facility Agent in relation to the KEG Onshore Project Accounts Agreement;
- (B) the English law governed novation agreement, dated on or about the Effective Date, between KEG, HSBC (as the Offshore Account Bank), BNP Paribas (as the Security Agent and outgoing facility agent) and the Facility Agent in relation to the KEG Offshore Project Accounts Agreement; and
- (C) the English law governed novation agreement, dated on or about the Effective Date, between the Original Borrower, HSBC (as the Offshore Account Bank), BNP Paribas (as the Security Agent and outgoing facility agent) and the Facility Agent in relation to the Borrower Offshore Project Accounts Agreement.

"Obligors" means the Borrowers and the Guarantors which, as at the Effective Date, are set out in Schedule 1 (*The Obligors*).

"Offshore Account Bank" means, as the context so requires, either HSBC Bank Plc or any other bank appointed as an **"Offshore Account Bank"** in accordance with Clause 20.3 (*Appointment of Account Bank*).

"Offshore Proceeds Accounts" means any of the KED Offshore Proceeds Account, the KEEG Offshore Proceeds Account, the KEG Offshore Proceeds Account, the KEI Offshore Proceeds Account, the KEISL Offshore Proceeds Account, the KEM Offshore Proceeds Account, the KEO Offshore Proceeds Account, the KES Offshore Proceeds Account, the Borrower Offshore Proceeds Account and any account deemed to be an "Offshore Proceeds Account" in accordance with clause 20.1 (*Project Accounts*), and which is secured in favour of the Secured Parties, each an **"Offshore Proceeds Account"**.

"Onshore Account Bank" means, as the context so requires, either Standard Chartered Bank, or any other bank appointed as an "Onshore Account Bank" in accordance with Clause 20.3 (*Appointment of Account Bank*).

"Onshore Working Capital Accounts" means the Ghana Working Capital Cedi Account, the Ghana Working Capital USD Account and any other onshore working capital account maintained by an Obligor in a jurisdiction where a Borrowing Base Asset is situated which is designated as such by the Original Borrower and the Facility Agent.

"Operator" means, in relation to each Borrowing Base Asset or each Developing Asset, the relevant operator of that Borrowing Base Asset or Developing Asset.

"Operator Report" means the report prepared by the Operator in relation to each Borrowing Base Asset and each Developing Asset.

"ORGL LC" means the Letter of Credit dated 24 December 2010 issued by BNP Paribas to Ocean Rig Ghana Limited as beneficiary originally at the request of Kosmos Energy Finance in respect of the obligations of Tullow Ghana Limited to the beneficiary thereof, under which the amount of USD 23,000,000 is outstanding on 28 March 2011.

"Original Guarantor" means KEO, KEI, KED and KEG.

"Participating Interest" has the meaning given to it in the relevant Petroleum Agreement and details of each such participating interest as at the date of the Fourth Amendment and Restatement Agreement are as set out in clause 26.14 (*Assets*) of this Agreement.

"Participating Member State" means any member state of the European Union that has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

"Party" means a party to a Finance Document.

"Permitted Acquisition" means any acquisitions or investments:

- (A) which are made in the ordinary course of the day to day business of the acquiring company;
- (B) which are funded by equity or debt subordinated on terms acceptable to the Majority Lenders (acting reasonably);
- (C) which are in respect of the implementation and development of the Borrowing Base Assets;

- (D) which are included within a Forecast;
- (E) in respect of which the aggregate consideration paid (which shall exclude the amount of any debt assumed) does not in any calendar year exceed USD 50 million (or its equivalent in other currencies), or such higher figure as the Majority Lenders may agree (acting reasonably);
- (F) by an Obligor where the asset acquired or invested in is to be included as a Borrowing Base Assets as approved by the Majority Lenders (acting reasonably); or
- (G) which are approved by the Majority Lenders (acting reasonably),

provided in each case that such acquisition or investment may not take place in Iran, Myanmar, North Korea, Sudan, Syria, Cuba, Crimea, or any country which is subject to a Sanctions Regime or any country designated by the Majority Lenders (acting reasonably).

"Permitted Disposals" means any:

- (A) disposal permitted or not otherwise prohibited by clause 28.8 (*Disposals*) of this Agreement;
- (B) disposals expressly permitted under any Project Agreement;
- (C) disposals of cash for purposes not prohibited by the Finance Documents;
- (D) disposals expressly required in order to comply with its obligations under the Project Agreements;
- (E) disposals of obsolete assets;
- (F) disposals on arm's length terms for market value of its Entitlements from a Field or petroleum products to which an Obligor is entitled by virtue of its ownership or investment in a Petroleum Asset; or
- (G) disposals not falling within paragraphs (A) to (F) above which are consented to by the Majority Lenders.

"Permitted Financial Indebtedness" means:

- (A) any Financial Indebtedness arising under or contemplated by the Finance Documents;
- (B) any Financial Indebtedness the proceeds of which are applied, promptly on receipt by an Obligor, in making or procuring the making of a prepayment of all amounts outstanding under the Finance Documents in full;
- (C) any Financial Indebtedness subordinated to the Lenders on terms approved by the Majority Lenders (each acting reasonably) provided that there shall be no subordination in respect of amounts held in any Distributions Reserve Account;
- (D) any guarantee granted by an Obligor in favour of the Revolving Credit Facility Lenders and/or the HY Noteholders, which in either case is subordinated in accordance with the terms of the KEFI Intercreditor Agreement, or otherwise on terms acceptable to the Majority Lenders;

- (E) any Financial Indebtedness owed to an Obligor, provided that such Obligor (as subordinated lender) has entered into a Deed of Subordination;
- (F) any Financial Indebtedness arising under finance or capital leases of vehicles, plant, equipment or computers, provided that the aggregate capital value of all such items so leased under outstanding leases by members of the Group does not exceed USD 100 million (or its equivalent in other currencies) at any time;
- (G) any Financial Indebtedness arising under any Derivative Agreement that an Obligor may enter further to the provisions of clause 28.17(A) (*Hedging*); or
- (H) any Financial Indebtedness otherwise approved by the Majority Lenders (such approval not to be unreasonably withheld or delayed).

“**Permitted Party**” has the meaning given to it in clause 30.7 (*Disclosure of information*).

“**Permitted Security**” means:

- (A) any netting or set-off arrangement entered into in the ordinary course of financing arrangements for the purpose of netting or setting off debit and credit balances;
- (B) any lien securing obligations no more than 90 days overdue arising by operation of law;
- (C) any Security Interest arising under or contemplated by the Finance Documents or pursuant to the express terms of any Project Agreement;
- (D) any title retention provisions in a supplier's standard conditions of supply of goods;
- (E) any Security Interest created over or in respect of any Distributions Reserve Accounts;
- (F) any Security Interest created pursuant to clause 31.6 (*Unwind of Equatorial Guinea Joint Venture*)
- (G) any Security Interest not falling within (A) to (F) above which is consented to by the Majority Lenders.

“**Permitted Transferee**” shall have the meaning given to that term in clause 10.6 (*Change of Control*) of this Agreement.

“**Petroleum Agreements**” means:

- (A) the DWT PA;
- (B) the WCTP PA;
- (C) the EG PSC;
- (D) the Mauritania Exploration and Production Contract; and
- (E) the Senegal Hydrocarbon Exploration and Production Sharing Contract.

"Petroleum Asset" means any assets related to the exploration for or exploitation, production, treatment, processing, transportation, storage, marketing and sale of petroleum products including, but without limitation, any contractual rights under any agreement entered into in relation to or incidental or ancillary thereto, any equity or participating interest in any entity which has such an interest or which conducts such activities and any right which would allow a person to obtain title to or an interest in any petroleum products.

"Phase 1 Plan of Development for the Jubilee Field" means the relevant plan for the development of the Jubilee Field Phase 1 approved by the government of Ghana.

"Process Agent" has the meaning given to it in clause 46 (*Service of Process*).

"Project Accounts" means any or all of each Debt Service Reserve Account, the LC Cash Collateral Account, the Offshore Proceeds Accounts, the Onshore Working Capital Accounts and the Insurance Proceeds Accounts, in each case, as established pursuant to clause 20 (*Bank Accounts and Cash Management*) of this Agreement and any account established further to clause 10.3 (*Aggregate outstandings exceed the Borrowing Base Amount*) of this Agreement, with such accounts being secured in favour of the Secured Parties.

"Project Accounts Agreements" means the KEEG Offshore Project Accounts Agreement, the KEG Offshore Project Accounts Agreement, the KEG Onshore Project Accounts Agreement, the KEISL Offshore Project Accounts Agreement, the KEM Offshore Project Accounts Agreement, the KES Offshore Project Accounts Agreement, and the Borrower Offshore Project Accounts Agreement.

"Project Agreements" means (when entered into by the relevant Obligor):

- (A) each Petroleum Agreement (including any Required Approval or any Authorisation required for the production, transportation or sale of petroleum from a Borrowing Base Asset);
- (B) the Joint Operating Agreements;
- (C) the UUOA;
- (D) the KEEG/Trident Shareholders' Agreement; and
- (E) each New Project Agreement and any other agreement which the Facility Agent and the Original Borrower agree shall be a Project Agreement,

as such documents may be updated, amended or replaced from time to time.

"Project Costs" means all costs and expenses (including without limitation exploration costs and any costs incurred under any Derivative Agreement, but, for the avoidance of doubt, excluding any Scheduled KEL Debt Payments and excluding any other payments relating to the Revolving Credit Facility or the HY Notes) incurred for and on behalf of an Obligor or in respect of which an Obligor is liable in relation to:

- (A) the Ghana Contract Area and the EG Contract Area;
- (B) the Greater Tortue Contract Area; and

- (C) any other project, venture, Field or Petroleum Asset which can at that time be funded by the proceeds of a Utilisation made pursuant to clause 21.2(B) (*Withdrawals – No Default Outstanding*).

“Project Infrastructure” means:

- (A) the FPSO for the Jubilee Field Phase 1;
- (B) a taut-leg mooring system for the FPSO for the Jubilee Field Phase 1;
- (C) seven production wells;
- (D) five production drill centers;
- (E) five production manifolds;
- (F) four water injection wells;
- (G) two water-injection drill centers;
- (H) two water injection manifolds;
- (I) three gas-injection wells;
- (J) one gas-injection drill center;
- (K) one gas-injection manifold;
- (L) two riser bases;
- (M) six subsea distribution units; and
- (N) associated flowlines, risers, umbilicals and jumpers.

“Qualifying Bank” means an internationally recognised bank:

- (A) which is not on a Sanctions List or subject to a sanctions regime issued, imposed or administered by the United States or any member country of the European Union, or the European Union itself or the United Nations (or any agency of any of them) (a **“Sanctions Regime”**); or
- (B) which does not have its principal place of business in a country which is subject to a Sanctions Regime; or
- (C) which is not a bank whose principal place of business is in a country notified by the Original Borrower to BNP Paribas (as facility agent at the date of this Agreement) prior to signing of this Agreement; or
- (D) whose long-term unguaranteed, unsecured securities or debt is rated at least Baa3 (Moody's) or a comparable rating from an internationally recognised credit rating agency (except that this shall not be a requirement if an Event of Default is continuing).

"Quotation Day" means, in relation to any period for which an interest rate is to be determined two Business Days before the first day of that period.

"Receiver" means a receiver or receiver and manager or administrative receiver of the whole or any part of the assets of the Obligors which from time to time are, or are expressed to be, the subject of the Security Interests created or evidenced or expressed to be created or evidenced under the Security Documents.

"Reference Banks" means the principal London offices of any bank appointed as a reference bank by the Facility Agent, with the prior written consent of the Original Borrower.

"Reference Bank Rate" means in relation to LIBOR, the arithmetic mean (rounded upwards to four decimal places) of the rates supplied to the Facility Agent at its request by the Reference Banks as the rate at which the relevant Reference Bank could borrow funds in the London interbank market.

"Relevant Capital Expenditure" means capital expenditure incurred or to be incurred in relation to the Borrowing Base Assets in the next twelve months or, in respect of exploration and appraisal costs, in the next six months, as determined pursuant to a Forecast and which is or will be funded by the Facility or by contributions to the capital of an Obligor (including loans subordinated on terms acceptable to the Facility Agent (acting reasonably)).

"Relevant Lender" has the meaning ascribed to such term in clause 8.10 (*Cash collateralisation*).

"Reorganisation" means (without limitation) any transaction, deemed transaction, step, procedure or agreement, including (but without limitation) the transfer, distribution, contribution or settlement of assets and/or liabilities.

"Repayment Date" means the date specified as such in the Amortisation Schedule, as may be adjusted in accordance with clause 34.6 (*Business Days*) of this Agreement.

"Repayment Instalment" means each repayment instalment required pursuant to the Amortisation Schedule (as adjusted from time to time).

"Repeating Representations" means the representations set out under:

- (A) clauses 26.1 (*Status*), 26.2 (*Legal validity*), 26.3 (*Non-conflict*), 26.4 (*Powers and authority*) of this Agreement, each as at the time the power or authority was exercised only; and
- (B) clauses 26.5 (*Authorisations*), 26.9 (*Financial Statements and other factual information*), 26.10 (*Proceedings pending or threatened*), 26.11 (*Breach of laws*), 26.12 (*Ranking of security*), 26.13 (*Pari passu ranking*), 26.14 (*Assets*), 26.15 (*Project Agreements*), 26.16 (*No Immunity*), 26.17 (*Ownership of Obligors*), 26.18 (*Sanctions*) and 26.19 (*Anti-corruption law*) of this Agreement.

"Replacement Lender" has the meaning given to that term in clause 10.10 (*Right of repayment and cancellation in relation to a single Lender*) of this Agreement.

"Required Approvals" means all material approvals, licenses, consents and authorisations necessary in connection with the execution, delivery, performance or enforcement of any Finance Document or the development, construction and ownership of the relevant Obligor's interest in a Borrowing Base Asset.

"Required Balance" means:

- (A) at any time when the DCR is greater than 2.50:1.00, the greater of the balances which is required to meet the payment either of: (a) interest and fees only due and payable in the next six months on the Facility; and (b) Scheduled KEL Debt Payments due and payable in the next six months; and
- (B) at any time when the DCR is less than or equal to 2.50:1.00, zero.

"Reserve Tail Date" means, at any time, the semi-annual Repayment Date immediately preceding the date on which a Forecast projects that the aggregate economically recoverable reserves remaining to be produced from the Borrowing Base Assets (as reflected in the current Forecast) is projected to be equal to or less than 25 per cent. of the aggregate of the economically recoverable reserves from the Borrowing Base Assets reflected in the Forecast agreed as a condition to first Utilisation. The Reserve Tail Date will be re-determined by each Forecast by reference to the aggregate of reserves for the Borrowing Base Assets adjusted for any reserves upgrades or downgrades, for additional reserves acquired pursuant to any Approved Development or Permitted Acquisition and for any disposal of reserves.

"Reserves Consultant" means RSC Group, Inc., (or any other reputable consultant agreed to by the Technical and Modelling Bank (acting reasonably)) appointed in accordance with a scope of work and budget for fees and expenses agreed with the Original Borrower, BNP Paribas (as facility agent at the date of appointment) and the Technical and Modelling Bank.

"Reserves Consultant Appointment Letter" means the consulting agreement dated 28 July 2014 between Kosmos Energy, LLC and the Reserves Consultant setting out the terms of appointment of the Reserves Consultant.

"Reserves Consultant Reliance Letter" means the reliance letter dated 9 February 2015 between BNP Paribas (as facility agent at the date of the letter), the Technical and Modelling Bank, Kosmos Energy, LLC, the Original Borrower and the Reserves Consultant.

"Resignation Letter" means a letter substantially in the form set out in Schedule 10 (*Form of Resignation Letter*).

"Resolution Authority" means any body which has authority to exercise any Write-down and Conversion Powers.

"Restricted Party" means a person that is:

- (A) listed on, or (directly or indirectly) owned or controlled (as such terms are defined by the relevant Sanctions Authority) by one or more persons listed on, or acting on behalf of a person listed on, any Sanctions List;
- (B) located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions; or
- (C) otherwise a target of Sanctions ("**target of Sanctions**" signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities).

"Retiring Guarantor" has the meaning given to it in clause 25.8 (*Release of Guarantors' right of contribution*).

"Revised Final Repayment Date" has the meaning given to that term in clause 9.2 (*Amendment to Amortisation Schedule*) of this Agreement.

"Revolving Credit Facility" means the revolving credit facility of up to US\$300 million provided to KEL pursuant to the terms of the Revolving Credit Facility Agreement.

"Revolving Credit Facility Agreement" means the agreement under which the Revolving Credit Facility is made available.

"Revolving Credit Facility Lender" means a **"Lender"**, as defined under the Revolving Credit Facility Agreement.

"Rollover Loan" means one or more Loans:

- (A) made or to be made on the same day that a maturing Loan is due to be repaid;
- (B) the aggregate amount of which is equal to or less than the amount of the maturing Loan;
- (C) made or to be made to the same Borrower for the purpose of refinancing a maturing Loan.

"Royalty Payments" means royalties payable to the relevant Government by a contractor out of, or calculated by reference to, petroleum to which such contractor is entitled under the terms and conditions of the relevant Petroleum Agreement.

"Saint Louis Profond Block" means Saint Louis profond block offshore Senegal being the area described in appendix 1 of the Senegal Hydrocarbon Exploration and Production Sharing Contract, but excluding any portions of such area in respect of which the Contractor's rights thereunder are from time to time relinquished or surrendered pursuant to the Senegal Exploration and Production Sharing Contract.

"Sanctions" means the sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by:

- (A) the United States government;
- (B) the United Nations;
- (C) the European Union (or any of its members states);
- (D) the United Kingdom; or
- (E) the respective governmental institutions and agencies of any of the foregoing, including, without limitation OFAC, the United States Department of State and Her Majesty's Treasury,

(together, the **"Sanctions Authorities"**).

"Sanctions List" means the "Specially Designated Nationals and Blocked Persons" list maintained by OFAC, the Consolidated List of Financial Sanctions Targets and the

Investments Ban List maintained by Her Majesty's Treasury, or any similar lists maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

"Sanctions Regime" has the meaning given to it in paragraph (A) of the definition of "Qualifying Bank".

"Schedule of Insurances" means the schedule of insurances in the Agreed Form (and initialled by the Original Borrower and the Facility Agent) setting out the Agreed Insurances.

"Scheduled KEL Debt Payment Distribution" means a shareholder distribution as calculated and defined in clause 28.24 (*Scheduled KEL Debt Payment Distributions*) of this Agreement.

"Scheduled KEL Debt Payments" means the scheduled interest, fees, costs and expenses (including tax gross up) related to the Revolving Credit Facility and the HY Notes but, for the avoidance of doubt, not including any principal related to the Revolving Credit Facility or the HY Notes.

"Screen Rate" means in relation to LIBOR, the London interbank offered rate administered by ICE Benchmark Administration Ltd. (or any other person which takes over the administration of that rate) for USD for the relevant period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate, or on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters). If such page or service ceases to be available, the Facility Agent may specify another page or service displaying the relevant rate after consultation with the Original Borrower.

"Second Currency" has the meaning given to it in clause 17.1 (*Currency indemnity*).

"Secured Liabilities" means at any time and without double counting, all present and future obligations and liabilities (actual or contingent) of each Obligor (whether or not for the payment of money and including any obligation to pay damages for breach of contract) which are, or are expressed to be, or may become due, owing or payable to any or all of the Secured Parties under or in connection with any of the Finance Documents (including all obligations and liabilities due, owing or payable under or pursuant to clause 3.3 (*Additional Commitment*) and clause 3.4 (*IFC as Additional Lender*), together with all costs, charges and expenses incurred by the Security Agent or any Secured Party which any Obligor is obliged to pay under any Finance Document.

"Secured Party" means a Finance Party, a Receiver or any Delegate.

"Security Documents" means each of the following documents:

- (A) the KEG Offshore Security Assignment;
- (B) the KEG Onshore Security Assignment;
- (C) the KEEG Offshore Security Assignment;
- (D) the KEISL Offshore Security Assignment;
- (E) the KES Offshore Security Assignment;

- (F) the KEM Offshore Security Assignment;
- (G) the KED Offshore Security Assignment;
- (H) the KEI Offshore Security Assignment;
- (I) the KEO Offshore Security Assignment;
- (J) the Borrower Offshore Security Assignment;
- (K) the KEI and KEO Offshore Security Assignment;
- (L) the Charge over Shares in EG JV Holdco
- (M) the Charge over Shares in KED;
- (N) the Charge over Shares in KEG;
- (O) the Charge over Shares in KEO;
- (P) the Charge over Shares in KEI;
- (Q) the Charge over Shares in KEEG;
- (R) the Charge over Shares in KEISL;
- (S) the Charge over Shares in KES;
- (T) the Charge over Shares in KEM;
- (U) the Charge over Shares in the Original Borrower;
- (V) the KEG Assignment of Reinsurance Rights;
- (W) the KEG Offshore Project Accounts Agreement;
- (X) the KEG Onshore Project Accounts Agreement;
- (Y) the KEEG Offshore Project Accounts Agreement;
- (Z) the KEISL Offshore Project Accounts Agreement;
- (AA) the KES Offshore Project Accounts Agreement;
- (BB) the KEM Offshore Project Accounts Agreement;
- (CC) the Borrower Offshore Project Accounts Agreement;
- (DD) each Supplemental Security Document; and
- (EE) subject to the provisions of the Intercreditor Agreement, each other document evidencing or creating any Security Interest held or obtained from an Obligor for or in respect of any Secured Liabilities.

"Security Interest" means a mortgage, charge, pledge, lien or other security interest or any other agreement or arrangement having a similar effect.

"Senegal" means the Republic of Senegal.

"Senegal Asset Purchase Agreement" means the asset purchase agreement dated 3 July 2014 entered into between PETRO-TIM Limited and Timis Corporation pursuant to which PETRO-TIM Limited transferred its entire 90 per cent. participating interest in the Senegal Hydrocarbon Exploration and Production Sharing Contract and Senegal JOA to Timis Corporation.

"Senegal Deed of Transfer" means the deed of transfer dated 14 August 2017 entered into between Kosmos BP Senegal Limited (previous name for KEISL) and BP Senegal Investments Limited relating to the transfer of a 30 per cent. participating interest in the Senegal Hydrocarbon Exploration and Production Sharing Contract and the Senegal JOA from Kosmos BP Senegal Limited to BP Senegal Investments Limited.

"Senegal Farmout Agreement" the farmout agreement dated 19 August 2014 relating to the transfer of a 60 per cent. participating interest in the Senegal Hydrocarbon Exploration and Production Sharing Contract and the Senegal JOA from Timis Corporation to KES.

"Senegal Hydrocarbon Exploration and Production Sharing Contract" means the hydrocarbon exploration and production sharing contract dated 7 January 2012 between Senegal represented by its Minister of State, Minister of International Cooperation, Air Transport, Infrastructure and Energy, PETRO-TIM Limited (predecessor in title to KEISL) and La Société des Pétroles du Senegal in respect of the Saint Louis Profond Block (and all amendments and supplements thereto (including pursuant to the Senegal Asset Purchase Agreement, the Senegal Farmout Agreement, the Senegal Initial Asset Transfer Agreement and the Senegal Deed of Transfer)).

"Senegal JOA" means the joint operating agreement dated 26 September 2012 between PETRO-TIM Limited (predecessor in title to KEISL) and La Société des Pétroles du Senegal for operations in the Saint Louis Profond Block (and all amendments and supplements thereto (including pursuant to the Senegal Asset Purchase Agreement, the Senegal Farmout Agreement, the Senegal Initial Asset Transfer Agreement and the Senegal Deed of Transfer)).

"Senegal Initial Asset Transfer Agreement" means the transfer agreement dated 15 December 2016 entered into between KES and Kosmos BP Senegal Limited (previous name for KEISL) pursuant to which KES transferred its entire 60 per cent. participating interest in the Senegal Hydrocarbon Exploration and Production Sharing Contract and Senegal JOA to Kosmos BP Senegal Limited.

"Service Document" has the meaning given to it in clause 46 (*Service of Process*).

"Shareholder" means any funds affiliated with Warburg Pincus and Blackstone Capital Partners or the Blackstone Group.

"Shareholder Affiliate" means any Affiliate of a Shareholder, any trust of which a Shareholder or any of its Affiliates is a trustee, any partnership of which a Shareholder or any of its Affiliates is a partner and any trust, fund or other entity which is managed by, or is under the control of, a Shareholder or any of its Affiliates, provided that any such trust, fund or other entity which has been established for at least 6 months solely for the purpose of making, purchasing or investing in loans or debt securities and which is managed or

controlled independently from all other trusts, funds or other entities managed or controlled by a Shareholder or any of its Affiliates which have been established for the primary or main purpose of investing in the share capital of companies shall constitute a Shareholder Affiliate.

“**Shareholder Distribution**” means a shareholder distribution as calculated and defined in clause 28.23 (*Distributions*) of this Agreement.

“**Signing Date**” means 28 March 2011.

“**Sources and Uses Statement**” has the meaning given to it in clause 24.8 (*Sources and Uses*).

“**Sources and Uses Statement Date**” has the meaning given to it in clause 24.8 (*Sources and Uses*).

“**Specified Time**” means 11:00 a.m. London time on the relevant Quotation Day.

“**Standard and Poor’s**” means Standard & Poor’s Ratings Service, a division of the McGraw-Hill Companies, Inc., and any successor thereto and if such corporation shall for any reason no longer perform the functions of a securities rating agency, Standard & Poor’s shall be deemed to refer to any other internationally recognised rating agency agreed by the Facility Agent and the Original Borrower (both acting reasonably).

“**Sterling**” or “**£**” or is to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

“**Sum**” has the meaning given to it in clause 17.1 (*Currency indemnity*).

“**Supermajority Lenders**” means, as applicable, those Lenders whose participation in advances under the Facility are at least equal to 80 per cent. of the aggregate advances then outstanding, or if there are no advances outstanding, whose Commitments then aggregate at least 80 per cent. of the Total Commitments under the Facility.

“**Supplemental Charge over Shares**” means each of the following documents:

- (A) the English law governed supplemental charge over shares in KED dated on or about the Effective Date between KEI and the Security Agent;
- (B) the English law governed supplemental charge over shares in KEG dated on or about the Effective Date between KED and the Security Agent;
- (C) the English law governed supplemental charge over shares in KEI dated on or about the Effective Date between KEO and the Security Agent;
- (D) the English law governed supplemental limited recourse charge over shares in KEO dated on or about the Effective Date between KEH as chargor, KEO and the Security Agent; and
- (E) the English law governed supplemental charge over shares in the Original Borrower dated on or about the Effective Date between KEI and the Security Agent.

“**Supplemental Security Documents**” means each of the following documents:

- (A) the English law governed supplemental security assignment and debenture, dated on or about the Effective Date, between KED and the Security Agent;
- (B) the English law governed supplemental security assignment and debenture, dated on or about the Effective Date, between KEI and the Security Agent;
- (C) the English law governed supplemental security assignment and debenture, dated on or about the Effective Date, between KEO and the Security Agent;
- (D) the English law governed supplemental security assignment and debenture, dated on or about the Effective Date, between the Original Borrower and the Security Agent;
- (E) the English law governed supplemental security assignment dated on or about the Effective Date, between KEI, KEO and the Security Agent; and
- (F) each Supplemental Charge over Shares.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Technical and Modelling Bank**” means the Technical Bank and the Modelling Bank, provided that if the Technical Bank and the Modelling Bank cannot reach agreement on a certain issue, then the opinion of the Technical Consultant will be requested (to the extent a Technical Consultant is not already appointed and the parties do not agree on a replacement within 5 Business Days of notification of the failure to reach agreement, the Technical Bank and the Modelling Bank shall request the President of the Energy Institute of London to appoint an independent consultant within 5 Business Days). If no agreement can be reached after consulting the relevant Consultant, the final decision shall be determined by the Majority Lenders.

“**Technical Assumptions**” means the technical assumptions agreed or determined in accordance with clause 19.1 (*Forecast Procedures*) of this Agreement.

“**Technical Consultant**” means Shaw Consultants International, Inc. (or any other reputable technical consultant agreed to by the Technical and Modelling Bank (acting reasonably)), appointed in accordance with a scope of work and budget for fees and expenses agreed with the Original Borrower, BNP Paribas (as facility agent at the date of appointment) and the Technical and Modelling Bank.

“**Third Deed of Amendment and Restatement**” means the deed of amendment and restatement dated 14 March 2014 entered into by the Original Borrower, the Original Guarantors and BNP Paribas (as facility agent on that date)) and the Security Agent in relation to the third amendment and restatement of this Agreement.

“**Third Parties Act**” has the meaning given to it in clause 1.4 (*Third Party Rights*).

“**Total Available Facility Amount**” means at any time the amount calculated as such pursuant to clause 3.2 (*Total Available Facility Amount*) of this Agreement.

“**Total Commitments**” means the aggregate of the Commitments of the Lenders.

"Total Facility Amount" means at any time, the total facility made available under the Facility but as reduced by the amount of any cancellation of the Facility.

"Total Interest Payable" means, in relation to the KEL Group for any Measurement Period, all interest and other financing charges paid or payable and incurred by the KEL Group during that Measurement Period.

"Total Interest Receivable" means, in relation to the KEL Group for any Measurement Period, all interest and other financing charges received or receivable by the KEL Group during that Measurement Period.

"Transaction Document" means each Finance Document and each Project Agreement.

"Transfer Certificate" means a certificate substantially in the form set out in Schedule 5 (*Form of Transfer Certificate*) of this Agreement or any other form agreed between the Facility Agent and the Original Borrower.

"Transfer Date" means, in relation to a transfer, the later of:

- (A) the proposed Transfer Date specified in the Transfer Certificate; and
- (B) the date on which the Facility Agent executes the Transfer Certificate.

"Unit Substances" shall have the meaning given to that term in the UUOA.

"Unpaid Sum" means any sum due and payable but unpaid by an Obligor under the Finance Documents.

"US" or **"United States"** means the United States of America.

"USD" or **"US Dollar"** means the lawful currency of the United States of America.

"US Tax Obligor" means:

- (A) a Borrower which is resident for tax purposes in the United States of America; or
- (B) an Obligor some or all of whose payments under the Finance Documents are from sources within the United States for US federal income tax purposes.

"Utilisation" means a utilisation of the Facility by way of a Loan.

"Utilisation Date" means the date of a Utilisation, being the date on which the relevant Loan is to be made.

"Utilisation Request" means a notice substantially in the form set out in Schedule 4 (*Utilisation Requests*) of this Agreement or in the Agreed Form.

"UUOA" means the unitization and unit operating agreement entered into between GNPC, Tullow Ghana Limited, KEG, Anadarko WCTP Company, Sabre Oil and Gas Holdings Limited and EO dated 13 July 2009.

"VAT" means:

- (A) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (B) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (A) above, or imposed elsewhere.

"WCTP Block" means West Cape Three Points area offshore Ghana, being the area described in annex 1 of the WCTP PA, but excluding any portions of such area in respect of which the Contractor's rights thereunder are from time to time relinquished or surrendered pursuant to the WCTP PA.

"WCTP JOA" means the joint operating agreement dated 27 July 2004 between KEG and EO in respect of the West Cape Three Points Block offshore Ghana (and all amendments and supplements thereto (including pursuant to the WCTP JOA First Amendment Agreement and the WCTP JOA Second Amendment Agreement)).

"WCTP JOA First Amendment Agreement" means the amendment agreement to the WCTP JOA dated 13 July 2009 between KEG, EO, Anadarko WCTP Company, Tullow Ghana Limited and Sabre Oil and Gas Limited.

"WCTP JOA Second Amendment Agreement" means the amendment agreement to the WCTP JOA dated 26 October 2010 between KEG, EO, Anadarko WCTP Company, Tullow Ghana Limited and Sabre Oil and Gas Limited.

"WCTP PA" means the petroleum agreement dated 22 July 2004 between the government of Ghana, represented by its Minister for Energy, the GNPC, KEG and EO in respect of the West Cape Three Points Block offshore Ghana (and all amendments and supplements thereto).

"Write-down and Conversion Powers" means:

- (A) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule; and
- (B) in relation to any other applicable Bail-In Legislation:
 - (i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and
 - (ii) any similar or analogous powers under that Bail-In Legislation.

1.2 Construction of particular terms

- (A) Unless a contrary indication appears, any reference in this Agreement to:

- (i) "**this Agreement**" shall be construed as a reference to the agreement or document in which such reference appears together with all recitals and Schedules thereto;
- (ii) a reference to "**assets**" includes properties, revenues and rights of every description;
- (iii) an "**authorisation**" or "**consent**" shall be construed as including any authorisation, consent, approval, resolution, licence, exemption, permission, recording, notarisation, filing or registration;
- (iv) an "**authorised officer**" shall be construed, in relation to any Party, as a reference to a Director or other person duly authorised by such Party as notified by such Party to the Facility Agent as being authorised to sign any agreement, certificate or other document or to take any decision or action, as applicable. The provision of any certificate or the making of any certification by any authorised officer of an Obligor shall not create for that authorised officer any personal liability to the Finance Parties;
- (v) a "**calendar year**" is a reference to a period starting on (and including) 1 January and ending on (and including) the immediately following 31 December;
- (vi) a "**certified copy**" shall be construed as a reference to a copy of that document, certified by an authorised officer of the relevant Party delivering it to be a complete, accurate and up-to-date copy of the original document;
- (vii) a "**clause**" shall, subject to any contrary indication, be construed as a reference to a clause of the agreement or document in which such reference appears;
- (viii) "**continuing**" shall, in relation to any Default or Event of Default, be construed as meaning that such Default or Event of Default has not been remedied or waived;
- (ix) the "**equivalent**" on any given date in any currency (the "first currency") of an amount denominated in another currency (the "second currency") is a reference to the amount of the first currency which could be purchased with the amount of the second currency at the spot rate of exchange quoted by the Facility Agent in the normal course of business at or about 11.00 a.m. on such date for the purchase of the first currency with the second currency in the London foreign exchange markets for delivery on the second Business Day thereafter;
- (x) the "**group**" of any person, shall be construed as a reference to that person, its subsidiaries and any holding company of that person and all other subsidiaries of any such holding company, from time to time;
- (xi) a "**holding company**" of a company or corporation shall be construed as a reference to any company or corporation of which the first-mentioned company or corporation is a subsidiary;

- (xii) “**include**” or “**including**” shall be deemed to be followed by “without limitation” or “but not limited to” whether or not they are followed by such phrase or words of like import;
- (xiii) a “**month**” or “**Month**” is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next succeeding calendar month save that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the next succeeding Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the immediately preceding Business Day provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month (and references to “**months**” and “**Months**” shall be construed accordingly);
- (xiv) a “**person**” shall be construed as a reference to any person, trust, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;
- (xv) a reference to a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being a regulation, rule, official directive, request or guideline with which a prudent person carrying on the same or a similar business to an Obligor would comply) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;
- (xvi) a “**right**” shall be construed as including any right, title, interest, claim, remedy, discretion, power or privilege, in each case whether actual, contingent, present or future;
- (xvii) a “**Schedule**” shall, subject to any contrary indication, be construed as a reference to a schedule of the agreement or document in which such reference appears;
- (xviii) a “**subsidiary**” of a company or corporation means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006 which shall be construed as a reference to any company or corporation:
- (xix) which is controlled, directly or indirectly, by the first-mentioned company or corporation;
- (xx) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the first-mentioned company or corporation; or
- (xxi) which is a subsidiary of another subsidiary of the first-mentioned company or corporation,
- (xxii) and, for these purposes, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

(xxiii) the “winding-up”, “dissolution” or “administration” of a company or corporation shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, bankruptcy, winding-up, reorganisation, dissolution, administration, receivership, judicial custodianship, administrative receivership, arrangement, adjustment, protection or relief of debtors;

(xxiv) a “year” is a reference to a period starting on one day in a month in a calendar year and ending on the numerically corresponding day in the same month in the next succeeding calendar year, save that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the next succeeding Business Day, unless that day falls in the month succeeding that in which it would otherwise have ended, in which case it shall end on the immediately preceding Business Day Provided that, if a period starts on the last Business Day in a month, that period shall end on the last Business Day in that later month (and references to “years” shall be construed accordingly); and

(xxv) a provision of law is a reference to that provision as amended and reenacted.

(B) Unless a contrary indication appears, any reference in any Finance Document to “**Bank of America Merrill Lynch International Limited**” is a reference to its successor in title Bank of America Merrill Lynch International Designated Activity Company (including, without limitation, its branches) pursuant to and with effect from the merger between Bank of America Merrill Lynch International Limited and Bank of America Merrill Lynch International Designated Activity Company that takes effect in accordance with Chapter II, Title II of Directive (EU) 2017/1132 (which repeals and codifies the Cross-Border Mergers Directive (2005/56/EC)), as implemented in the United Kingdom and Ireland. Notwithstanding anything to the contrary in any Finance Document, a transfer of rights and obligations from Bank of America Merrill Lynch International Limited to Bank of America Merrill Lynch International Designated Activity Company pursuant to such merger shall be permitted.

1.3 Interpretation

(A) Words importing the singular shall include the plural and vice versa.

(B) Words indicating any gender shall include each other gender.

(C) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document to:

(i) any party or person shall be construed so as to include its and any subsequent successors, permitted transferees and permitted assigns in accordance with their respective interests;

(ii) such agreement or document or any other agreement or document shall be construed as a reference to each such agreement or document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or

supplemented, in each case to the extent permitted under the Finance Documents;

(iii) a time of day shall, save as otherwise provided in any agreement or document, be construed as a reference to London time.

- (D) Section, Part, Clause and Schedule headings contained in, and any index or table of contents to, any agreement or document are for ease of reference only.

1.4 Third Party Rights

- (A) Any Hedging Counterparty may enforce the terms of clause 21.2 (*Withdrawals – No Default Outstanding*), clause 25 (*Guarantee and Indemnity*) and clause 42.2(E) (*Exceptions*) of this Agreement by virtue of the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**"). This clause 1.4(A) confers a benefit on each such Hedging Counterparty, and, subject to the remaining provisions of this clause 1.4, is intended to be enforceable by each Hedging Counterparty by virtue of the Third Parties Act.
- (B) Any Account Bank may enforce the terms of this Agreement by virtue of the Third Parties Act. This clause 1.4(B) confers a benefit on each such Account Bank, and, subject to the remaining provisions of this clause 1.4, is intended to be enforceable by each Account Bank by virtue of the Third Parties Act.
- (C) Subject to paragraph (A) and (B) above, a person who is not a party to this Agreement has no right under the Third Parties Act to enforce or enjoy the benefit of any term of this Agreement.
- (D) Notwithstanding any term of any Finance Document, this Agreement may be rescinded or varied without the consent of any person who is not a Party hereto.

PART 2 CONDITIONS PRECEDENT

1. Conditions Precedent

1.1 Conditions Precedent to first Utilisation

The Original Borrower may not deliver a Utilisation Request unless the Facility Agent has received all of the documents and other evidence listed in Part I of Schedule 3 (*Conditions Precedent*) in form and substance satisfactory to the Facility Agent (acting reasonably), or their delivery has otherwise been waived in accordance with clause 2.3 (*Waivers of Conditions Precedent*). The Facility Agent (acting reasonably) shall notify the Original Borrower and the Lenders promptly upon being so satisfied.

1.2 Conditions Precedent to each Utilisation

The Lenders will only be obliged to comply with clause 6.5 (*Lenders' participation*) if, on the proposed Utilisation Date:

- (A) no Default or Event of Default is continuing or will result from the proposed Loan; and
- (B) an Authorised Signatory of the relevant Borrower certifies that

- (i) the funds from that Utilisation are expected to be applied in payment of amounts subject to and in accordance with the Cash Waterfall within 90 days of the relevant drawdown date (other than making a distribution in accordance with paragraph (vii) of the Cash Waterfall) or are otherwise required to maintain a reasonable and prudent level of working capital in the Project Accounts;
- (ii) the aggregate principal amount outstanding under the Facility does not exceed the Borrowing Base Amount, and the making of the Utilisation would not result in the aggregate principal amount outstanding under the Facility exceeding the Borrowing Base Amount; and
- (iii) the Repeating Representations to be made by each Obligor are, in the light of the facts and circumstances then existing, true and correct in all material respects (or, in the case of a Repeating Representation that contains a materiality concept, true and correct in all respects);

1.3 Waivers of Conditions Precedent

- (A) The Facility Agent, acting in accordance with the instructions of the Lenders, may waive the requirement under clause 2.1 (*Conditions Precedent to first Utilisation*) to deliver any one or more of the documents and other evidence listed in Schedule 3 (*Conditions Precedent*).
- (B) Satisfaction of any of the conditions set out in clause 2.2 (*Conditions Precedent to each Utilisation*) may be waived by the Facility Agent acting in accordance with the instructions of the Majority Lenders.
- (C) Any waiver effected by the Facility Agent in accordance with this clause shall be binding on all Parties.
- (D) For the avoidance of doubt, no Utilisation may be made under the Facility, until the Facility Agent has confirmed all relevant Conditions Precedent have been satisfied (acting reasonably) or waived in accordance with this clause 2 (*Conditions Precedent*).
- (E) Prior to the first Utilisation of the Facility (and not thereafter), any Default or Event of Default which arises by virtue of the fact that the Security Interests granted pursuant to the Security Documents are second-ranking (due to the subsistence during such period of Security Interests (as defined in the Existing Finance Documents) which were granted pursuant to the Existing Finance Documents), shall be deemed not to have arisen.

PART 3 OPERATION OF THE FACILITY

1. The Facility

1.1 Facility Commitment amounts

- (A) Subject to the terms of the Finance Documents the Lenders have agreed to make available to the Borrowers a secured US Dollar revolving loan facility and a letter of credit facility on the terms and conditions set out in this Agreement (the "**Facility**") in an aggregate amount equal to the Total Commitments.

- (B) The Facility may be utilised by way of:
- (i) Loans (which, during the Availability Period only, shall include Rollover Loans); and
 - (ii) Letters of Credit up to an aggregate amount not exceeding USD 200 million.

1.2 Total Available Facility Amount

- (A) The Total Available Facility Amount shall be computed in accordance with this clause 3.2.
- (B) If at any time the aggregate amount of all Loans exceeds the Borrowing Base Amount, the Total Available Facility Amount shall be zero.
- (C) Notwithstanding any increase to the Total Available Facility Amount by the addition of (a) Additional Commitments pursuant to clause 3.3 below; or (b) the IFC Commitment pursuant to clause 3.4 below and subject to paragraph (B) above, the Total Available Facility Amount shall be an amount equal to the lesser of:
- (i) the Total Facility Amount less (1) the amount of all Loans which have not been either prepaid or repaid and (2) the aggregate amount of any Letters of Credit issued, or to be issued, under the Facility; and
 - (ii) the Borrowing Base Amount less (1) the amount of all Loans and (2) the aggregate amount of any Letters of Credit issued, or to be issued, under the Facility (only to the extent not cash collateralised by amounts standing to the credit of the LC Cash Collateral Account),
- where the Borrowing Base Amount is determined by reference to the most recent Forecast prepared in accordance with the Forecasting Procedures.
- (D) For the avoidance of doubt, if at any time a Letter of Credit is cash collateralised in whole in or part in accordance with clause 7.1(B) of this Agreement, the Total Available Facility Amount shall, subject always to paragraphs (B) and (C) above, automatically increase by the amount of such deposit. Conversely, in the event that the whole or any part of the cash collateral is withdrawn in accordance with clause 7.1(B) of this Agreement, then the Total Available Facility Amount will reduce by the amount of such withdrawal.

1.3 Additional Commitment

- (A) The Original Borrower may notify the Facility Agent (such notice being an "**Additional Commitment Notice**") that it has agreed with any Lender or any other bank or financial institution (in each case, an "**Additional Lender**") to increase the Total Facility Amount by the provision of additional commitments under the Facility (each such increase in commitments being an "**Additional Commitment**"), provided that:
- (i) the Additional Commitment Notice is delivered at any time after the Effective Date, and prior to the expiry of the Availability Period;
 - (ii) the increase is to take effect before the expiry of the Availability Period and the maximum aggregate amount of Additional Commitment (including all

previous increases) does not exceed USD 500 million less any amount of IFC Commitment which has then been provided;

(iii) no Event of Default is continuing or would arise as a result of the provision of the Additional Commitment; and

(iv) the terms of the Additional Commitment shall, for all purposes of this Agreement, be treated pursuant to the terms of this Agreement in the same manner as the existing Commitments.

(B) Each Additional Commitment Notice shall:

(i) confirm that the requirements of clause 3.3(A) above are fulfilled;

(ii) specify the date upon which the Additional Commitment is anticipated to be made available to the Borrowers (the "**Additional Commitment Date**"); and

(iii) where the Additional Lender is IFC, include any further details that may be required by the Facility Agent (acting reasonably) pursuant to clause 3.4 (*IFC as Additional Lender*).

(C) In the event that the Additional Lender is not a Party to this Agreement, the Original Borrower shall procure that each Additional Lender:

(i) delivers a Lender Accession Notice duly completed and signed on behalf of the Additional Lender and specifying its Additional Commitment to the Facility Agent; and

(ii) accedes to the Intercreditor Agreement in accordance with the terms of the Intercreditor Agreement,

in each case, on or prior to the Additional Commitment Date.

(D) Subject to the conditions in paragraph (B) and (C) above being met, from the relevant Additional Commitment Date:

(i) the Additional Lender shall make available the relevant Additional Commitment for Utilisation under the Facility in accordance with the terms of this Agreement (as amended);

(ii) the Additional Commitment shall rank *pari passu* with respect to existing Commitments; and

(iii) any necessary rebalancing of the Commitments and outstandings under the Facility and the Additional Commitment provided by the Additional Lender to ensure that they are *pro rata* (the "**New Commitment Rebalancing**") will be made by a Borrower making utilisations from the Additional Commitment within five business days of the relevant Additional Commitment Date:

(a) in priority to utilisations from Commitments under the Facility; or

(b) to effect a prepayment under the Facility to the existing Lenders (which amount may be redrawn by the Borrowers),

at that Borrower's election, in each case to procure, as far as practicable, any New Commitment Rebalancing, following which all utilisations shall be made pro rata.

- (E) Each Additional Lender may only become a party to this Agreement (and be entitled to share in the Security created under the Security Documents in accordance with the terms of the Finance Documents) if such Additional Lender simultaneously accedes to the Intercreditor Agreement in accordance with the terms of the Intercreditor Agreement.
- (F) Each Party (other than the relevant Additional Lender) irrevocably authorises and instructs the Facility Agent to execute on its behalf any Lender Accession Notice which has been duly completed and signed on behalf of that proposed Additional Lender and each Party agrees to be bound by such accession. The Facility Agent must promptly sign any such Lender Accession Notice (and in any event within three Business Days of receipt).
- (G) The Facility Agent shall only be obliged to execute a Lender Accession Notice delivered to it by an Additional Lender once the Facility Agent (acting reasonably) has, to the extent that the necessary information is not already available to it, received all required information to comply with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the accession of such Additional Lender.
- (H) On the date that the Facility Agent executes a Lender Accession Notice:
 - (i) the Additional Lender party to that Lender Accession Notice, each other Finance Party and the Obligors shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had that Additional Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of that accession and with the Commitment specified by it as its Additional Commitment; and
 - (ii) that Additional Lender shall become a Party to this Agreement as a "Lender".

1.4 IFC as Additional Lender

- (A) In the event that the Additional Commitment is to be provided by IFC, subject to compliance with the provisions of clause 3.3 (*Additional Commitment*) and clause 3.5(B), IFC shall provide its Additional Commitment (the "**IFC Commitment**") through a separate tranche, facility or facilities ranking pari passu with the Facility (the "**IFC Facility**") details of which, together with any amendments to the Finance Documents as the Original Borrower and IFC (each acting reasonably) consider necessary, shall be provided with the Additional Commitment Notice.
- (B) Any IFC Commitment shall be provided on substantially the same terms and conditions as the Facility, save that the IFC Facility shall include such additional or alternative terms and conditions as required by IFC's policies and practices (the rights in relation to which shall not be available to the Finance Parties).

- (C) In order to rebalance the Commitments and outstandings under the Facility and the IFC Facility to ensure that they are pro rata (the “**IFC Rebalancing**”), a Borrower will make utilisations under the IFC Facility:

(i) in priority to the Facility; or

(ii) to effect a prepayment under the Facility (which amount may be redrawn by a Borrower),

at that Borrower's election, in each case to procure, as far as practicable, the IFC Rebalancing, following which all drawings under the IFC Facility and the Facility shall be pro rata.

1.5 Amendments to Finance Documents

- (A) The Parties shall, acting reasonably, make such amendments to the Finance Documents as may be necessary to increase the Total Facility Amount pursuant to clause 3.3 (*Additional Commitment*) above (including amendments to the Amortisation Schedule and such amendments as required to implement any alternative terms and conditions as required by IFC's policies and practices) and to enable each Additional Lender to accede to the Finance Documents and provide its Additional Commitment hereunder. The Facility Agent may effect, on behalf of the Finance Parties, any such amendment. Any Lender Accession Notice or accession in respect of the Intercreditor Agreement entered into, or any amendment to the Finance Documents effected pursuant to clause 3.3 (*Additional Commitment*) above, by the Facility Agent, the Additional Lender or the Original Borrower, shall be binding on all Parties.
- (B) Notwithstanding paragraph (A) above, any amendments to the Finance Documents or additional or alternative terms and conditions, in each case as may be reasonably required as a consequence of any IFC Commitment being provided to the Borrowers shall not require the consent of the Finance Parties, provided that such amendments are not prejudicial to the rights and obligations of the Finance Parties under this Agreement.

2. Finance Parties' Rights and Obligations

- (A) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under any Finance Documents to which it is a Party does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (B) The rights of each Finance Party under or in connection with the Finance Documents to which it is a Party are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor shall be a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with paragraph (C) below. The rights of each Finance Party include any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of a Loan or any other amount owed by an Obligor which relates to a Finance Party's participation in a Facility or its role under a Finance Document (including any such amount payable to the Facility Agent on its behalf) is a debt owing to that Finance Party by that Obligor.

(C) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3. Purpose

3.1 Purpose

The proceeds of any Loan or Letter of Credit may only be used by a Borrower for the following purposes:

- (A) in the case of a first Utilisation of the Facility, to repay all amounts outstanding under the Existing Finance Documents in full;
- (B) to pay Project Costs (including Relevant Capital Expenditure);
- (C) to pay Financing Costs (other than principal and interest);
- (D) to make advances to an Obligor under an Intercompany Loan Agreement to enable such Obligor to pay Project Costs;
- (E) to fund the DSRA and the LC Cash Collateral Account;
- (F) to meet all costs and expenses incurred in respect of making any Permitted Acquisition;
- (G) to issue Letters of Credit under the Facility; and
- (H) subject to Clause 20.6 (*Distributions Reserve Account*) to fund the Distributions Reserve Account.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any Loan made pursuant to the Finance Documents.

4. Utilisation - Loans

4.1 Availability Period

Subject to the satisfaction of the relevant Conditions Precedent the Facility shall be available for drawing during the period from and including the Signing Date to and including the earlier of:

- (A) the date falling one month prior to the Final Maturity Date; and
- (B) any date imposed in accordance with Clause 28.35 (*HY Notes Maturity Date*).

4.2 Delivery of a Utilisation Request

A Borrower may borrow a loan under the Facility by delivery to the Facility Agent of a duly completed Utilisation Request not later than 10:00 am on the third Business Day prior to the proposed Utilisation Date and the Facility Agent shall deliver such Utilisation Request to the Lenders on the Business Day of receipt of the same by it. For this purpose, if the Facility Agent receives the Utilisation Request on a day which is not a Business Day or after

10:00 am on a Business Day, it will be treated as having received the Utilisation Request on the following Business Day.

4.3 Completion of a Utilisation Request

- (A) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
- (i) the proposed Utilisation Date is a Business Day within the Availability Period;
 - (ii) the amount of the Utilisation complies with clause 6.4 (*Amount*); and
 - (iii) the proposed Interest Period complies with clause 12 (*Interest Periods*).
- (B) Only one Loan may be requested in each Utilisation Request and a maximum of 3 Utilisation Requests may be requested in any one month.
- (C) A Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation 10 or more Loans would be outstanding.

4.4 Amount

A Borrower must notify the Facility Agent and the Technical and Modelling Bank (giving notice of not less than three Business Days' prior to the Utilisation Date) of the amount of any proposed Loan under the Facility that must be:

- (A) a minimum of USD 10 million (or, in any event, such lesser amount as the Facility Agent may agree); and
- (B) an integral multiples of USD 10 million (or, in any event, such lesser amount as the Facility Agent may agree),

or, if less, the balance of the Facility.

4.5 Lenders' participation

- (A) If the conditions set out in this Agreement have been met, each Lender under the Facility shall make its participation in the relevant Loan available by the Utilisation Date through its Facility Office in accordance with the terms of this Agreement.
- (B) The amount of a Lender's participation in that Loan will be equal to the proportion borne by its Available Commitment to the Available Commitments under the Facility immediately prior to the making of the relevant Loan.
- (C) The Facility Agent shall notify each Lender of the amount of each Loan under the Facility and the amount of its participation in each such Loan not less than 3 Business Days before the Utilisation Date.
- (D) A Business Day for the purposes of clause 6 (*Utilisation*) shall mean a day (other than a Saturday or Sunday) when banks are open for business in London, New York and Paris.

5. Letters of Credit – Utilisation

5.1 General

(A) In this clause 7 and clause 8 (Letters of Credit – General Provisions):

(i) “**Expiry Date**” means, for a Letter of Credit, the last day of its Term;

(ii) “**LC Proportion**” means, in relation to a Lender in respect of any Letter of Credit, the proportion (expressed as a percentage) borne by the Available Commitment of such Lender under the Facility to the aggregate Available Commitments of all the Lenders under the Facility immediately prior to the issue of that Letter of Credit, adjusted to reflect any assignment or transfer under this Agreement to or by that Lender;

(iii) “**Renewal or Extension Request**” means a written notice delivered to the Facility Agent in accordance with clause 7.7 (*Renewal or extension of a Letter of Credit*);

(iv) “**Start Date**” means, for a Letter of Credit, the first day of its Term; and

(v) “**Term**” means each period determined under this Agreement for which an LC Issuing Bank is under a liability under a Letter of Credit.

(B) Any reference in this Agreement to:

(i) a “**Finance Party**” includes each of the LC Lenders and each of the LC Issuing Banks;

(ii) an amount borrowed under the Facility includes any amount utilised by way of Letter of Credit;

(iii) a Utilisation under the Facility made or to be made to the Original Borrower includes a Letter of Credit issued on its behalf;

(iv) a Lender funding its participation in a Utilisation under the Facility includes a Lender participating in a Letter of Credit;

(v) amounts outstanding under the Facility include amounts outstanding under or in respect of any Letter of Credit;

(vi) an outstanding amount of a Letter of Credit at any time is the maximum amount that is or may be payable in respect of that Letter of Credit at that time;

(vii) the Original Borrower “**repaying**” or “**prepaying**” a Letter of Credit means:

(a) the Original Borrower providing cash collateral for that Letter of Credit by depositing funds into the LC Cash Collateral Account;

(b) the maximum amount payable under the Letter of Credit being reduced in accordance with its terms; or

- (c) an LC Issuing Bank being satisfied (acting reasonably) that it has no further liability under that Letter of Credit, and the amount, subject to the Cash Waterfall, by which a Letter of Credit is repaid or prepaid under subparagraphs (viii)(a) and (viii)(b) below is the amount of the relevant cash collateral or reduction; and

(viii) the Original Borrower providing "**cash collateral**" for a Letter of Credit means the Original Borrower paying an amount in the currency of the Letter of Credit in to the LC Cash Collateral Account and the following conditions are met:

- (a) the account is with an LC Issuing Bank (if the cash collateral is to be provided for all the Lenders) or with a Lender (if the cash collateral is to be provided for that Lender);
- (b) withdrawals from the LC Cash Collateral Account may only be made at any time provided that:
- (1) there is no Default or Event of Default outstanding at the time;
 - (2) the withdrawal does not occur during a BBA Cure Period;
 - (3) the latest Sources and Uses Statement does not show that there is a shortfall in funding projected to be available to meet Project Costs; and
 - (4) the Total Available Facility Amount at that time is equal to or exceeds the amount of the withdrawal; and
- (c) any amount withdrawn from the LC Cash Collateral Account is deposited into the account from which the original payment was made into the LC Cash Collateral Account.
- (C) Clause 6 (*Utilisation*) does not apply to a Utilisation by way of Letter of Credit.
- (D) For the avoidance of doubt, in determining the amount of the Available Commitment and a Lender's LC Proportion of a proposed Letter of Credit for the purposes of this Agreement the Available Commitment of a Lender will be calculated taking account of any cash collateral provided for outstanding Letters of Credit, subject to the Total Available Facility Amount not exceeding the lesser of (i) the Total Facility Amount and (ii) the Borrowing Base Amount.
- (E) A "Business Day" for the purposes of clause 7 (*Letters of Credit – Utilisation*) shall mean a day (other than a Saturday or Sunday) when banks are open for business in London, New York and Paris.
- (F) The ORGL LC shall be deemed to have been issued by BNP Paribas as LC Issuing Bank (such appointment as LC Issuing Bank being solely in respect of the ORGL LC) pursuant to a Utilisation Request submitted by the Original Borrower in accordance with the terms of this Agreement and such utilisation shall be deemed

to have occurred immediately after the first Utilisation under the Facility (the “**ORGL LC Utilisation**”). For the avoidance of doubt:

- (i)BNP Paribas shall pay the cash collateral already posted with it pursuant to the ORGL LC to the Distributions Reserve Account; and
- (ii)no conditions other than those which are required in order to facilitate the first Utilisation will be required to be satisfied in order for the ORGL LC Utilisation to be effective.

5.2 Letter of Credit Option

- (A) The Facility may also be utilised by way of Letters of Credit at any time during the Availability Period.
- (B) Letters of Credit may be issued under the Facility by any LC Issuing Bank or LC Issuing Banks as may be selected by the Original Borrower.
- (C) The Original Borrower may at any time request any or all Lenders to agree to become a LC Issuing Bank. If any such Lender or Lenders so agree, the Original Borrower may in its absolute discretion decide which of those Lenders (if any) it wishes to appoint as a LC Issuing Bank.
- (D) The Original Borrower may appoint any Lender as an LC Issuing Bank at any time by notice in writing to the Facility Agent (accompanied by a deed of accession in the form agreed between the Facility Agent and the Original Borrower, signed by the relevant Lender confirming its appointment as an LC Issuing Bank), following receipt of which the Facility Agent shall promptly countersign any such deed of accession on behalf of the Finance Parties (and in any event within 3 Business Days of receipt of the notice) and notify the Finance Parties (with a copy to the Original Borrower) that the relevant Lender has become an LC Issuing Bank.

5.3 Delivery of a Utilisation Request for Letters of Credit

Subject to a LC Issuing Bank having been appointed, the Original Borrower may request a Letter of Credit to be issued by delivery to the Facility Agent and one or more LC Issuing Banks (as may be selected by the Original Borrower) of a duly completed Utilisation Request substantially in the form of Part II of Schedule 4 (*Utilisation Requests*) not later than the third Business Day prior to the proposed Utilisation Date and a maximum of 3 such Utilisation Requests may be delivered in any one month, provided that there shall not, at any time, be more than 10 Letters of Credit outstanding.

5.4 Completion of a Utilisation Request for Letters of Credit

Each Utilisation Request for a Letter of Credit is irrevocable and will not be regarded as having been duly completed unless:

- (A) it specifies that it is for a Letter of Credit;
- (B) it specifies the amount that is to be utilised under the Facility;
- (C) the proposed Utilisation Date is a Business Day within the Availability Period;
- (D) the currency and amount of the Letter of Credit comply with clause 7.5 (*Amount*);

- (E) the form of Letter of Credit is attached;
- (F) the Expiry Date of the Letter of Credit falls on or before the Final Repayment Date for the Facility; and
- (G) the delivery instructions for the Letter of Credit are specified.

5.5 Amount

The amount of the proposed Letter of Credit must be an amount which is not more than the Total Available Facility Amount and which is a minimum of USD 5 million or, if less, the Total Available Facility Amount and which otherwise complies with clause 7.6(B)(ii).

5.6 Issue of Letters of Credit

- (A) If the conditions set out in this Agreement have been met, the relevant LC Issuing Bank shall issue the Letter of Credit on the Utilisation Date.
- (B) The relevant LC Issuing Bank will only be obliged to comply with paragraph (A) above if on the date of the Utilisation Request or Renewal or Extension Request and on the proposed Utilisation Date:
 - (i) in the case of a Letter of Credit renewed in accordance with clause 7.7 (*Renewal or extension of a Letter of Credit*), no Event of Default is continuing or would result from the proposed Utilisation and, in the case of any other Utilisation, no Default is continuing or would result from the proposed Utilisation;
 - (ii) the making of the proposed Utilisation would not result in (i) the aggregate principal amount outstanding under the Facility exceeding the lesser of the Total Facility Amount and the Borrowing Base Amount or (ii) the aggregate of all outstanding Letters of Credit issued by the LC Issuing Banks exceeding USD 200 million;
 - (iii) the Repeating Representations to be made by each Obligor are true in all material respects (or, in the case of a Repeating Representation that contains a materiality concept, true and correct in all respects); and
 - (iv) that LC Issuing Bank and the Lenders have completed all applicable know-your-customer and compliance requirements which are required by law in relation to the beneficiary of the Letter of Credit.
- (C) The amount of each Lender's participation in each Letter of Credit will be equal to the proportion borne by the Available Commitment of such Lender under the Facility to the aggregate Available Commitments of all the Lenders under the Facility immediately prior to the issue of the Letter of Credit.
- (D) The Facility Agent shall notify the relevant LC Issuing Banks and each Lender of the details of the requested Letter of Credit and its participation in that Letter of Credit by the Specified Time.

5.7 Renewal or extension of a Letter of Credit

- (A) The Original Borrower may request any Letter of Credit issued on its behalf be renewed or extended by delivery to the Facility Agent and the relevant LC Issuing Bank of a Renewal or Extension Request by the sixth Business Day before the date of the proposed renewal.
- (B) The Lenders shall treat any Renewal or Extension Request in the same way as a Utilisation Request for a Letter of Credit except that the conditions set out in paragraph (E) of clause 7.4 (*Completion of a Utilisation Request for Letters of Credit*) shall not apply.
- (C) The terms of each renewed or extended Letter of Credit shall be the same as those of the relevant Letter of Credit immediately prior to its renewal, except that:
- (i) its amount may be less than the amount of the Letter of Credit immediately prior to its renewal or extension;
 - (ii) (in relation to a renewal only) its Term shall start on the date which was the Expiry Date of the Letter of Credit immediately prior to its renewal, and shall end on the proposed Expiry Date specified in the Renewal or Extension Request subject to clause 7.4(F); and
 - (iii) (in relation to an extension only) its Term shall start on the date which was the Start Date of the Letter of Credit immediately prior to its extension, and shall end on the proposed Expiry Date specified in the Renewal or Extension Request subject to clause 7.4(F)
- (D) If the conditions set out in this Agreement have been met, the relevant LC Issuing Bank shall re-issue and/or amend any Letter of Credit pursuant to a Renewal or Extension Request.

6. Letters of Credit – General Provisions

6.1 When immediately repayable or prepayable

If a Letter of Credit or any amount outstanding under a Letter of Credit becomes payable, the Original Borrower shall repay or prepay that amount within five Business Days of demand by the relevant LC Issuing Bank.

6.2 Fee payable in respect of Letters of Credit

- (A) The Original Borrower shall pay to each of the LC Issuing Banks a fronting fee in respect of each Letter of Credit issued by it, in the amount and at the times agreed in the letter between each relevant LC Issuing Bank and the Original Borrower. A reference in this Agreement to a Fee Letter shall include the letter referred to in this paragraph.
- (B)
- (i) Subject to (ii) below, the Original Borrower shall pay to the Facility Agent (for the account of each LC Lender) a letter of credit fee computed at the same rate as the Margin on the outstanding amount of each Letter of Credit for the period from the issue of that Letter of Credit until its Expiry Date. This fee shall be distributed according to each LC Lender's LC Proportion of that Letter of Credit.

- (ii) The Original Borrower shall be entitled to deduct, from the letter of credit fee calculated as described in (i) above and paid to the Facility Agent, in respect of each Relevant Lender, an amount which is the product of the Margin and any Borrower Replacement Collateral (as defined in clause 8.10 below) held in respect of such Relevant Lender (the "**RL Reduction**"). The net fee distributed by the Facility Agent to each Relevant Lender shall be the fee calculated according to such Relevant Lender's LC Proportion then reduced by the amount of the RL Reduction.
- (C) The accrued letter of credit fee on a Letter of Credit shall be payable quarterly (on each of 31 March, 30 June, 30 September and 31 December and as from the first of such dates falling after the date of issue of that Letter of Credit) and on the Expiry Date for that Letter of Credit.
- (D) If the Original Borrower uses cash collateral to cover any part of a Letter of Credit then the fronting fee payable to the relevant LC Issuing Bank and the letter of credit fee payable for the account of each LC Lender shall not (in respect of the part of the Letter of Credit covered by the cash collateral) be payable.

6.3 Claims under a Letter of Credit

- (A) The Original Borrower irrevocably and unconditionally authorises each LC Issuing Bank to pay any claim made or purported to be made under a Letter of Credit and which appears on its face to be in order (a "**claim**").
- (B) The Original Borrower shall immediately on demand pay to the Facility Agent for the account of the relevant LC Issuing Bank an amount equal to the amount of any claim under that Letter of Credit.
- (C) The Original Borrower acknowledges that each LC Issuing Bank:
- (i) is not obliged to carry out any investigation or seek any confirmation from any other person before paying a claim; and
 - (ii) deals in documents only and will not be concerned with the legality of a claim or any underlying transaction or any available set-off, counterclaim or other defence of any person.
- (D) The obligations of the Original Borrower under this clause will not be affected by:
- (i) the sufficiency, accuracy or genuineness of any claim or any other document; or
 - (ii) any incapacity of, or limitation on the powers of, any person signing a claim or other document.

6.4 Indemnities

- (A) The Original Borrower shall immediately on demand indemnify each LC Issuing Bank against any cost, loss or liability incurred by such LC Issuing Bank (otherwise than by reason of such LC Issuing Bank's gross negligence or wilful misconduct and otherwise in respect of the obligation of any Lender to provide cash collateral pursuant to clause 8.10 (*Cash collateralisation*)) in acting as an LC Issuing Bank under any Letter of Credit.

- (B) Each Lender shall (according to its LC Proportion) immediately on demand by the Facility Agent (acting on the instructions of the relevant LC Issuing Bank), indemnify each LC Issuing Bank against any cost, loss or liability incurred by such LC Issuing Bank (otherwise than by reason of such LC Issuing Bank's gross negligence or wilful misconduct) in acting as such LC Issuing Bank under any Letter of Credit (unless that LC Issuing Bank has been reimbursed by the Original Borrower pursuant to a Finance Document).
- (C) The Original Borrower shall immediately on demand reimburse any Lender for any payment it makes to an LC Issuing Bank under this clause 8.4 (*Indemnities*) (other than any Cash Deposit made pursuant to clause 8.10 (*Cash collateralisation*) but including in respect of any amount withdrawn from the Cash Deposit and payment to any LC Issuing Bank under clause 8.10(C) or 8.10(E)). In the absence of reimbursement of an LC Issuing Bank or Lenders by the Original Borrower pursuant to this clause 8.4 (*Indemnities*) within 5 Business Days of demand (the "**LC Payment Date**"), the Original Borrower shall be deemed to have requested a Loan of an amount (in Dollars) equal to the outstanding amount payable on the LC Payment Date and the Original Borrower shall be treated as having agreed to borrow that Loan on the LC Payment Date. The proceeds of each Loan made available by the Lenders in accordance with this clause 8.4(C) and deemed to be made to the Original Borrower shall be paid to an LC Issuing Bank (or, as the case may be, the Facility Agent on behalf of the Lenders) in satisfaction of the obligations of the Original Borrower in accordance with this clause 8.4 to reimburse that LC Issuing Bank or Lenders for the amount of the outstanding payment.
- (D) The obligations of each Lender and the Original Borrower under this clause are continuing obligations and will extend to the ultimate balance of sums payable by that Lender or, as the case may be, the Original Borrower in respect of any Letter of Credit, regardless of any intermediate payment or discharge in whole or in part.
- (E) The obligations of a Lender or the Original Borrower under this clause will not be affected by any act, omission, matter or thing which, but for this clause, would reduce, release or prejudice any of its obligations under this clause (without limitation and whether or not known to it or any other person) including:
- (i) any time, waiver or consent granted to, or composition with, any Obligor, any beneficiary under a Letter of Credit or any other person;
 - (ii) the release of any other Obligor or any other person under the terms of any composition or arrangement;
 - (iii) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor, any beneficiary under a Letter of Credit or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
 - (iv) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor, any beneficiary under a Letter of Credit or any other person;
 - (v) any amendment (however fundamental) or replacement of a Finance Document, any Letter of Credit or any other document or security;

(vi) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document, any Letter of Credit or any other document or security; or

(vii) any insolvency or similar proceedings.

6.5 Rights of contribution

The Original Borrower will not be entitled to any right of contribution or indemnity from any Finance Party in respect of any payment it may make under this clause 8.

6.6 Role of a LC Issuing Bank

- (A) Nothing in this Agreement constitutes a LC Issuing Bank as a trustee or fiduciary of any other person.
- (B) An LC Issuing Bank shall not be bound to account to any Lender for any sum, or the profit element of any sum received by it for its own account.
- (C) An LC Issuing Bank may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.
- (D) An LC Issuing Bank may rely on:
 - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
 - (ii) any statement made by a director, Authorised Signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (E) An LC Issuing Bank may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (F) An LC Issuing Bank may act in relation to the Finance Documents through its personnel and agents.
- (G) An LC Issuing Bank is not responsible for:
 - (i) the adequacy, accuracy and/or completeness of any information (whether oral or written) provided by any Party (including itself), or any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; or
 - (ii) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

6.7 Exclusion of liability

- (A) Without limiting paragraph (B) below, the relevant LC Issuing Bank will not be liable for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.
- (B) No Party (other than an LC Issuing Bank) may take any proceedings against any officer, employee or agent of an LC Issuing Bank in respect of any claim it might have against that LC Issuing Bank or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of an LC Issuing Bank may rely on this clause subject to clause 1.4 (*Third Party Rights*) and the provisions of the Third Parties Act.

6.8 Credit appraisal by the Lenders

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each LC Lender confirms to each LC Issuing Bank that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including, but not limited to, those listed in paragraphs (A) to (D) of clause 32.16 (*Credit appraisal by the Lenders*).

6.9 Amendments and Waivers

Notwithstanding any other provision of any Finance Document, an amendment or waiver which relates to the rights or obligations of an LC Issuing Bank may not be effected without the consent of that LC Issuing Bank.

6.10 Cash collateralisation

- (A) If and for so long as:

(i) the long-term senior unsecured credit rating of a Lender is, or is reduced to, below BBB- (Standard & Poor's) or Baa3 (Moody's); or

(ii) it becomes unlawful in any applicable jurisdiction for a Lender to perform its obligations under clause 8.4 (*Indemnities*) of this Agreement,

(any such Lender being a "**Relevant Lender**") then, within thirty five (35) Business Days of the date of publication by S&P or Moody's of such rating downgrade or the date upon which the obligations become unlawful, the Relevant Lender shall, unless otherwise agreed by each LC Issuing Bank, as security for (but without prejudice to) its obligations under clause 8.4 (*Indemnities*), pay to each LC Issuing Bank an amount equal to its LC Proportion of the aggregate outstandings under all Letters of Credit issued by that LC Issuing Bank at such date (the "**Cash Deposit**"). The Relevant Lender shall, within thirty five (35) Business Days of any increase in such aggregate outstandings, pay to that LC Issuing Bank an amount equal to its LC Proportion of any such increase (unless otherwise agreed by the Issuing Bank) (and any additional amount so paid shall form part of the Cash Deposit). If requested by a LC Issuing Bank, the Relevant Lender shall enter into security documentation over the Cash Deposit in form and substance satisfactory to that LC Issuing Bank (acting reasonably).

- (B) Any Cash Deposit made pursuant to this clause 8.10 shall be placed by the relevant LC Issuing Bank in a separately designated bank account and shall bear interest (at the rate of interest customarily given by that LC Issuing Bank for short-term cash

deposits in amounts equal to such Cash Deposit) from (and including) the date of deposit of any amounts in, until (but excluding) the date of withdrawal of any amounts from, such account (such amount held being the "**Borrower Replacement Collateral**").

- (C) An LC Issuing Bank shall only withdraw amounts standing to the credit of such account:
- (i) for payment to that LC Issuing Bank up to (and including) the amount of the Cash Deposit in accordance with clause (E) below; and
 - (ii) in excess of the Cash Deposit, for payment to the Relevant Lender, if so instructed by the Relevant Lender.
- (D) Any Cash Deposit made pursuant to this clause 8.10 shall, on demand by the Relevant Lender, be repaid to such Relevant Lender provided that the long-term senior unsecured credit rating of such Relevant Lender is, or is greater than BBB- (Standard & Poor's) or Baa3 (Moody's).
- (E) Without prejudice to the provisions of clause 8.4(B), each Relevant Lender hereby irrevocably authorises each LC Issuing Bank to withdraw from any account established pursuant to this clause 8.10 in relation to such Relevant Lender such Relevant Lender's LC Proportion of the amount specified in any claim made under a Letter of Credit, up to the amount of the Relevant Lender's Cash Deposit in discharge of such Relevant Lender's obligations to it under clause 8.4(B).
- (F) If and to the extent the Relevant Lender at any time fails to comply with its payment obligations under clause 8.10(A), then (without prejudice to clause 8.4(B)):
- (i) the Relevant Lender hereby irrevocably authorises any Agent to apply its entitlement to sums received by that Agent from any source in respect of payment under, and/or any other sum received by that Agent under or in respect of, the Finance Documents, towards such payment obligations;
 - (ii) the Original Borrower and each LC Issuing Bank may (in their sole discretion) agree that the Original Borrower shall pay an amount to that LC Issuing Bank:
 - (a) which may or may not be equal to the Relevant Lender's Cash Deposit or such part thereof as is unpaid by the Relevant Lender; and
 - (b) which shall be placed by that LC Issuing Bank in a separately designated bank account and shall bear interest (at the rate of interest customarily given by that LC Issuing Bank for short-term cash deposits in amounts equal to such amounts) from (and including) the date of deposit of any amounts in, until (but excluding) the date of withdrawal of any amounts from, such account,
- and
- (iii) that LC Issuing Bank may withdraw amounts standing to the credit of such account:

- (a) to pay that LC Issuing Bank such Relevant Lender's LC Proportion of any claim made under a Letter of Credit; and
- (b) as otherwise agreed between the Original Borrower and that LC Issuing Bank.

**PART 4
PAYMENTS, CANCELLATION, INTEREST AND FEES**

1. Repayment

1.1 Repayment of the Facility

- (A) Subject to paragraph (B) below, all Loans outstanding under the Facility will be repaid semi-annually on each successive 31 March and 30 September commencing on 31 March 2022. Repayment Instalments will be sufficient to ensure that the Amortisation Schedule is met.
- (B) Any repayment made during the Availability Period may be redrawn, but any repayment may not be redrawn after the expiry of the Availability Period.

1.2 Amendment to Amortisation Schedule

In the event that the Reserve Tail Date is earlier than the Final Maturity Date, the Amortisation Schedule will be amended so that:

- (A) the final Repayment Instalment for the Facility is to be paid on the Reserve Tail Date (the "**Revised Final Repayment Date**"); and
- (B) the Repayment Instalment payable on each Repayment Date shall be adjusted on a pro rata basis so as to ensure that all Loans under the Facility are fully repaid on the Reserve Tail Date.

2. Prepayment and Cancellation

2.1 General

- (A) Subject to there being no Event of Default outstanding and other than an obligation to make a prepayment where the aggregate outstandings under the Facility exceed the Borrowing Base Amount at the end of the BBA Cure Period or upon a Change of Control, prepayments in respect of the Facility shall be paid at the end of the next Interest Period falling not less than 15 days after the date on which the event giving rise to the obligation to make the prepayment occurs, and shall be applied pro rata to each Repayment Instalment under the Facility.
- (B) Any amount prepaid may only be redrawn if such prepayment and Utilisation:
 - (i) is not contrary to any other term of this Agreement; and
 - (ii) occurs prior to expiry of the Availability Period.
- (C) Any prepayment shall be made with accrued interest on the amount prepaid and, subject to Break Costs (excluding any Margin), without premium or penalty.

2.2 Illegality

- (A) If it becomes unlawful (including as a result of any Sanctions) in any applicable jurisdiction for a Lender (an “**Illegality Lender**”) to perform any of its obligations as contemplated by the Finance Documents, or to fund or maintain its participation in any Utilisation or it becomes unlawful for any Affiliate of a Lender for that Lender to do so:
- (i) that Lender shall promptly notify the Facility Agent upon becoming aware of that event;
 - (ii) upon the Facility Agent notifying the Original Borrower, the Commitment of that Lender will be immediately cancelled; and
 - (iii) each Borrower shall either:
 - (a) if the Lender so requires, repay that Lender’s participation in the Utilisations made to that Borrower on the last day of the Interest Period for each Utilisation occurring after the Facility Agent has notified that Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law); or
 - (b) replace that Lender in accordance with paragraph (B) of clause 10.10 (*Right of repayment and cancellation in relation to a single Lender*) on or before the first date applicable under paragraph (a) above in respect of which a payment is due and payable.
- (B) If it becomes unlawful (including as a result of any Sanctions) in any applicable jurisdiction for any Borrower to perform any of its obligations as contemplated by the Finance Documents:
- (i) that Borrower shall promptly notify the Facility Agent upon becoming aware of that event;
 - (ii) the Facility Agent shall notify the Lenders; and
 - (iii) that Borrower shall repay each Utilisation made to it on the last day of the Interest Period for that Utilisation occurring after the Facility Agent have notified the Lenders or, if earlier, the last day of any applicable grace period permitted by law.
- (C) If it becomes unlawful (including as a result of any Sanctions) for an LC Issuing Bank to issue or leave outstanding any Letter of Credit or it becomes unlawful for any Affiliate of an Issuing Bank for that Issuing Bank to do so, the relevant LC Issuing Bank shall promptly notify the Facility Agent upon becoming aware of that event, and upon the Facility Agent notifying the Original Borrower, (i) the Facility shall cease to be available for the issue of Letters of Credit unless and until the relevant LC Issuing Bank is replaced by another Lender in accordance with paragraph (B) of clause 10.10 (*Right of repayment and cancellation in relation to a single Lender*) and (i) the Original Borrower shall prepay all Letters of Credit issued by such LC Issuing Bank and use its reasonable endeavours to procure the release of such LC Issuing Bank from all outstanding Letters of Credit.

2.3 Aggregate outstandings exceed the Borrowing Base Amount

- (A) In the event that a Forecast shows that the aggregate of the outstandings under the Facility on the relevant Forecast Date exceeds the Borrowing Base Amount as determined in such Forecast, a Borrower shall, within 90 days of the date of the relevant Forecast (in addition to Repayment Instalments under the Amortisation Schedule), make an additional mandatory repayment of the Facility as necessary to ensure that the aggregate of the outstandings under the Facility does not exceed the Borrowing Base Amount provided always that:
- (i) subject to (ii) below, an Event of Default shall arise in respect of such mandatory prepayment only if such prepayment has not been made in full after a period of 90 days from the relevant Forecast Date (the "**BBA Cure Period**"); and
 - (ii) such mandatory repayment will be required at the expiry of the BBA Cure Period only if, at such time, a Forecast prepared immediately prior to the expiry of the BBA Cure Period confirms that the aggregate of the outstandings under the Facility exceeds the Borrowing Base Amount.
- (B) The Obligors shall be entitled to make any such mandatory prepayment by (i) depositing cash into an account with the Account Bank in London secured in favour of the Lenders (which shall be a Project Account) which has been established solely for this purpose or (i) procuring a letter of credit on terms approved by the Facility Agent (acting reasonably), in favour of the Facility Agent, in each case, in an amount equal to the mandatory prepayment required. Any excess standing to the credit of such account on any Forecast Date shall be released and may be withdrawn by the relevant Borrower and applied for any purpose as it sees fit (without reference to the Cash Waterfall) provided that prior to being paid into such account none of the Secured Parties had any rights to such amounts (if any Secured Parties had any rights to such amount, such amount shall be paid into an Offshore Proceeds Account).

2.4 Permitted disposals

If, as a result of a Permitted Disposal, the amount outstanding under the Facility exceeds the Borrowing Base Amount, then the required amount of proceeds from such Permitted Disposal to ensure that there is no such excess, after having taken into account the impact of the Permitted Disposal on the Borrowing Base Amount will be used to make a prepayment of the Facility.

2.5 Insurance Receipts

- (A) All Insurance Proceeds received by an Obligor in excess of USD10 million (or its equivalent in other currencies) in aggregate shall be paid into and retained in an Insurance Proceeds Account until applied in accordance with the terms of this clause.
- (B) Subject to paragraph (C) below, all net proceeds of any insurance claim received by an Obligor in respect of a Borrowing Base Asset shall, unless the Majority Lenders otherwise agree, be first applied in prepayment of the Facility:

- (i) where the aggregate amount of the insurance proceeds received by that Obligor is in excess of USD 100 million (or its equivalent in other currencies) (less expenses); or
 - (ii) where the aggregate amount of the insurance proceeds received by that Obligor is less than USD 100 million (or its equivalent in other currencies) but more than USD 10 million (or its equivalent in other currencies), to the extent not applied or committed to be applied to meet a third party claim or to cover operating losses of, or in the reinstatement of, a Borrowing Base Asset or purchase of a replacement Borrowing Base Asset or otherwise in amelioration of the loss to a Borrowing Base Asset or reinvestment in the Borrowing Base Asset within, in each case, one year of receipt.
- (C) Neither (i) any insurance proceeds paid to the Operator and applied by the Operator in meeting the cost, loss or liability for which that payment was made, nor (i) any proceeds of any insurance claim received by an Obligor in respect of business interruption shall be subject to the prepayment obligation in paragraph (B) above.

2.6 Change of Control

- (A) Upon a Change of Control:
- (i) the relevant Obligor shall promptly notify the Facility Agent upon becoming aware of the occurrence of that event; and
 - (ii) if the Majority Lenders so require, the Facility Agent shall, on not less than 30 days written notice to the Original Borrower, cancel the Commitments and each Borrower shall repay each Lender's participation in any Utilisations on the last day of the then current period under the Facility, together with accrued interest and all other amounts accrued under the Finance Documents.
- (B) For the purposes of paragraph (A) above, a "**Change of Control**" means any person (or persons with whom they act in concert) other than a Permitted Transferee acquiring, directly or indirectly, more than 50 per cent. of the ordinary share capital in any Obligor carrying a right to vote in general meetings of that company. For the avoidance of doubt, a Change of Control shall not occur on an IPO of any Shareholder (directly or indirectly) in KEO or the Original Borrower, or an IPO of any Obligor.
- (C) For the purposes of paragraph (B) above, any persons includes more than one person acting in concert and a "**Permitted Transferee**" means:
- (i) an Affiliate of a Shareholder or KEH, so long as they remain an Affiliate (including any funds associated with Warburg Pincus and Blackstone Capital Partners or the Blackstone Group); or
 - (ii) a person who is otherwise approved by the Majority Lenders (acting reasonably) provided that any Lender which does not grant its approval may, on not less than 30 days written notice to the Facility Agent and the Original Borrower, demand that its participation in the Facility be prepaid in full and that its Commitment be immediately cancelled, provided that the Original Borrower may, in accordance with paragraph (B) of clause 10.10 (*Right of repayment and cancellation in relation to a single Lender*), procure

the replacement of that Lender or the transfer of its participation and Commitment to another Lender (with that Lender's consent) rather than such prepayment and cancellation provided that such replacement or transfer is completed within the relevant notice period given by the relevant Lender. If such replacement or transfer does not occur within the relevant period, that Lender's participation in the Facility shall be immediately due and payable in full by each Borrower and its Commitment immediately cancelled.

2.7 Automatic Cancellation

At the close of business in London on the last Business Day of the Availability Period for the Facility, the undrawn Commitment of each Lender under the Facility at that time shall be automatically cancelled.

2.8 Voluntary Cancellation

- (A) The Original Borrower may, by giving not less than ten Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice to the Facility Agent, without penalty, cancel the undrawn Commitments under any Facility in whole or in part (but if in part, in a minimum amount of USD 1 million or, if less, the balance of the undrawn Commitments). The relevant Commitments in respect of the Facility will be cancelled on a date specified in such notice, being a date not earlier than ten Business Days after the relevant notice is received by that Facility Agent.
- (B) Any valid notice of cancellation will be irrevocable and will specify the date on which the cancellation shall take effect. No part of any Commitment which has been cancelled or which is the subject of a notice of cancellation may subsequently be utilised.
- (C) When any cancellation of Commitments under the Facility takes effect, each Lender's Available Commitment under the Facility will be reduced by an amount which bears the same proportion to the total amount being cancelled as its Available Commitment under the Facility bears to the Available Commitment (at that time) under the Facility.

2.9 Voluntary Prepayment of Loans

- (A) Subject to clause 10.1 (*General*), a Utilisation may be prepaid whether in whole or in part by a Borrower without penalty upon ten Business Days' prior written notice to the Facility Agent.
- (B) Any valid notice of prepayment will be irrevocable and, unless a contrary indication appears in this Agreement, will specify the date on which the cancellation shall take effect. Any amount prepaid or repaid may not be redrawn if such prepayment or repayment and Utilisation occurs after the expiry of the Availability Period.
- (C) Prepayment shall take effect:
 - (i) on the last day of the then current Interest Period; or
 - (ii) on any other date subject to payment by the relevant Borrower, on demand of Break Costs (if any), in accordance with clause 13.4 (*Break Costs*).

- (D) Unless a contrary indication appears in this Agreement, when any prepayment of the whole or part of a Loan takes place, each Lender's participation in the relevant Loan shall be reduced rateably.

2.10 Right of repayment and cancellation in relation to a single Lender

- (A) If:
- (i) the Original Borrower reasonably believes that the sum payable to any Lender by an Obligor is required to be increased under clause 15.2 (*Tax gross-up*);
 - (ii) the Original Borrower receives a notice from the Facility Agent under clause 15.3 (*Tax Indemnity*) or clause 16 (*Increased Costs*);
 - (iii) any Lender is or becomes a Non-Funding Lender; or
 - (iv) any Lender is or becomes entitled to increase its rate of interest further to clause 13.2 (*Market disruption*),
- the Original Borrower may, while (in the case of paragraphs (i) and (ii) above) the circumstance giving rise to the belief or notice continues or (in the case of (iii) or (iv) above) the relevant circumstance continues:
- (a) give the Facility Agent notice of cancellation of the Commitment of that Lender and its intention to procure the repayment of that Lender's participation in the Utilisations;
 - (b) in the case of a Non-Funding Lender or Illegality Lender, give the Facility Agent notice of cancellation of the Available Commitment of that Lender in relation to the Facility and reinstate all or part of such Available Commitment in accordance with paragraph (B) below;
 - (c) or replace that Lender in accordance with paragraph (B) below.
- (B) The Original Borrower may:
- (i) in the circumstances set out in paragraph (A) above or pursuant to clause 10.1 (*General*) or clause 10.2 (*Illegality*) or clause 10.6(A) (ii) (*Change of Control*), replace an Existing Lender (as defined in clause 30 (*Changes to the Lenders*)), with one or more other Lenders (which need not be Existing Lenders) (each a "**Replacement Lender**"), which have agreed to purchase all or part of the Commitment and participations of that Existing Lender in Utilisations made to a Borrower pursuant to an assignment or transfer in accordance with the provisions of clause 30 (*Changes to the Lenders*); or
 - (ii) in the circumstances set out in paragraph (A)(iv)(a) of this clause 10.10, cancel the Available Commitments of the Non-Funding Lender or Illegality Lender in respect of the Facility and procure that one or more Replacement Lenders assume Commitments under the Facility in an aggregate amount not exceeding the Available Commitment of the relevant Non-Funding Lender or Illegality Lender in relation to the Facility,

in each case on condition that:

- (a) each assignment or transfer under this paragraph (B) shall be arranged by the Original Borrower (with such reasonable assistance from the Existing Lender as the Original Borrower may reasonably request); and
- (b) no Existing Lender shall be obliged to make any assignment or transfer pursuant to this paragraph (B) unless and until:
 - (1) it has received payment from the Replacement Lender or Replacement Lenders in an aggregate amount equal to the outstanding principal amount of the participations in the Utilisations owing to the Existing Lender, together with accrued and unpaid interest (to the extent that the Facility Agent has not given a notification under clause 30.9 (*Pro rata interest settlement*)) and fees (including, without limitation, any Break Costs to the date of payment) and all other amounts payable to the Existing Lender under this Agreement; and
 - (2) the requirements under clause 24.12 ("*Know your customer*" and "*customer due diligence*" requirements) have been satisfied in respect of the Replacement Lender.
- (C) On receipt of a notice from the Original Borrower referred to in paragraph (A) above, the Commitment of that Lender shall immediately be reduced to zero.
- (D) On the last day of each Interest Period which ends after the Original Borrower has given notice under paragraph (A) above (or, if earlier, the date specified by the Original Borrower in that notice), the relevant Borrower shall repay that Lender's participation in the relevant Utilisation.
- (E) Paragraphs (A) and (B) do not in any way limit the obligations of any Finance Party under clause 18.1 (*Mitigation*).

3. Interest

3.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (A) Margin; and
- (B) LIBOR.

3.2 Margin

The Margin applicable to a Loan shall be a percentage per annum as follows:

Years (counting from and including the year of the Effective Date)	Applicable Margin
1 to 4 (inclusive)	3.25%
5 to 6 (inclusive)	3.75%
7 to Final Maturity Date (inclusive)	4.50%

3.3 Payment of interest

A Borrower shall pay accrued interest on each Loan on the last day of each Interest Period (and, if the Interest Period is longer than six months, on the dates falling at six-monthly intervals after the first day of the Interest Period).

3.4 Default interest

- (A) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (B) below, is 1.0 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Facility Agent (acting reasonably). Any interest accruing under this clause shall be immediately payable by the Obligor on demand by that Facility Agent.
- (B) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
- (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
- (ii) the rate of interest applying to the overdue amount during that first Interest Period shall be 1.0 per cent. higher than the rate which would have applied if the overdue amount had not become due.
- (C) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

3.5 Notification of rates of interest

The Facility Agent shall promptly notify the relevant Lenders and the relevant Borrowers of the determination of a rate of interest under this Agreement.

4. Interest Periods

4.1 Selection of Interest Periods

- (A) A Borrower shall select an Interest Period for a Loan in the Utilisation Request for that Loan.

- (B) Subject to this clause, a Borrower may select an Interest Period of 1, 3 or 6 months or such other period as may be agreed between a Borrower and the Facility Agent (acting on behalf of the Majority Lenders).
- (C) No Interest Period for a Loan under the Facility shall extend beyond the Final Maturity Date.
- (D) The first Interest Period of each Loan shall commence on the Utilisation Date and end on the same day as the end of the selected Interest Period. In the case of each Loan (other than the first Loan under the Facility), each subsequent Interest Period shall end on the same day as the current Interest Period of any outstanding Loan made under the Facility.

4.2 Non-Business Days

If an Interest Period ends on a day which is not a Business Day, that Interest Period will instead end on the next Business Day, unless the next Business Day is in another month, in which case the Interest Period will end on the preceding Business Day.

4.3 Consolidation and division of Loans

- (A) Subject to paragraph (B) below, if two or more Interest Periods for Loans under the Facility end on the same date, those Loans will, unless a Borrower specifies to the contrary in the Utilisation Request or in a notice to the Facility Agent, be consolidated into, and treated as, a single Loan under the Facility on the last day of the Interest Period.
- (B) If a Borrower requests (in either a Utilisation Request or otherwise in a notice to the Facility Agent) that a Loan be divided into two or more Loans, that Loan will, on the last day of its Interest Period, be so divided into the amounts specified in such request, being an aggregate amount equal to the amount of the Loan immediately before its division.

5. Changes to the Calculation of Interest

5.1 Absence of quotations

Subject to clause 13.2 (*Market disruption*), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by the Specified Time, the applicable LIBOR shall be determined on the basis of the quotations of any other Reference Bank.

5.2 Market disruption

- (A) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's share of that Loan for the Interest Period shall be the percentage rate per annum which is the sum of:
 - (i) the Margin; and
 - (ii) the rate notified to the Facility Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the

cost to that Lender of funding its participation in that Loan from whatever source it may reasonably select.

- (B) In this Agreement “**Market Disruption Event**” means if, on or about noon in London on the Quotation Day for the relevant Interest Period none or only one of the Reference Banks supplies a rate to the Facility Agent to determine LIBOR for the Interest Period, or the Facility Agent receives notifications from a Lender or Lenders (whose participations exceed 35 per cent. in aggregate of all participations) that the cost to it of obtaining matching deposits in the London interbank market would be materially in excess of LIBOR.
- (C) The Facility Agent shall notify the relevant Borrower immediately upon receiving notice from the Lender(s).

5.3 Alternative basis of interest or funding

- (A) If a Market Disruption Event occurs and the Facility Agent or the relevant Borrower so requires, the Facility Agent and the relevant Borrower shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.
- (B) Any alternative basis agreed pursuant to paragraph (A) above shall, with the prior consent of all the Lenders and the relevant Borrower, be binding on all Parties.

5.4 Break Costs

- (A) Each Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by it on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (B) Each Lender shall, as soon as reasonably practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.
- (C) If, following a payment by the relevant Borrower of all or part of a Loan or Unpaid Sum on a day other than the last day of an Interest Period for that Loan or Unpaid Sum, a Lender realises a profit, and no Event of Default is continuing, that Lender must pay an amount equal to that profit to that Borrower as soon as practicable.

5.5 FATCA Information

- (A) Subject to paragraph (D) below, each Party shall, within ten Business Days of a reasonable request by another Party:
 - (i) confirm to that other Party whether it is:
 - (a) a FATCA Exempt Party; or
 - (b) not a FATCA Exempt Party;
 - (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA or CRS as that other Party reasonably

requests for the purposes of that other Party's compliance with FATCA or CRS; and

(iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

- (B) Each Party agrees to the disclosure by the other Party of information required to be disclosed under FATCA or CRS to the Cayman Islands Tax Information Authority or equivalent authority and any other foreign government body as required by FATCA or CRS. Such information may include, without limitation, confidential information such as financial information and any information relating to any shareholders, principals, partners, beneficial owners (direct or indirect) or controlling persons (direct or indirect) of such Party.
- (C) If a Party confirms to another Party pursuant to clause 13.5(A)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.
- (D) Paragraph (A) or (B) above shall not oblige any Finance Party to do anything, and paragraph (A)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:
- (i) any law or regulation;
 - (ii) any fiduciary duty; or
 - (iii) any duty of confidentiality.
- (E) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (A)(i) or (A)(ii) above (including, for the avoidance of doubt, where paragraph (D) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information,
- (F) If a Borrower is a US Tax Obligor or the Facility Agent reasonably believes that its obligations under FATCA or any other applicable law or regulation require it, each Lender shall, within ten Business Days of:
- (i) where the Original Borrower is a US Tax Obligor and the relevant Lender is an Original Lender, the date of this Agreement;
 - (ii) where a Borrower is a US Tax Obligor on a Transfer Date and the relevant Lender is a New Lender, the relevant Transfer Date;
 - (iii) the date a new US Tax Obligor accedes as a Borrower; or
 - (iv) where a Borrower is not a US Tax Obligor, the date of a request from the Facility Agent,

supply to the Facility Agent:

- (a) a withholding certificate on Form W-8, Form W-9 or any other relevant form; or
 - (b) any withholding statement or other document, authorisation or waiver as the Facility Agent may require to certify or establish the status of such Lender under FATCA or that other law or regulation.
- (G) The Facility Agent shall provide any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (F) above to the relevant Borrower.
- (H) If any withholding certificate, withholding statement, document, authorisation or waiver provided to the Facility Agent by a Lender pursuant to paragraph (F) above is or becomes materially inaccurate or incomplete, that Lender shall promptly update it and provide such updated withholding certificate, withholding statement, document, authorisation or waiver to the Facility Agent unless it is unlawful for the Lender to do so (in which case the Lender shall promptly notify the Facility Agent). The Facility Agent shall provide any such updated withholding certificate, withholding statement, documentation, authorisation or waiver to the relevant Borrower.
- (I) The Facility Agent may rely on any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (F) or (H) above without further verification. The Facility Agent shall not be liable for any action taken by it under or in connection with paragraphs (F), (G) or (H) above.
- (J) Without prejudice to any other term of this Agreement, if a Lender fails to supply any withholding certificate, withholding statement, document, authorisation, waiver or information in accordance with paragraph (F) above, or any withholding certificate, withholding statement, document, authorisation, waiver or information provided by a Lender to the Facility Agent is or becomes materially inaccurate or incomplete, then such Lender shall indemnify the Facility Agent, within three Business Days of demand, against any cost, loss, Tax or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Facility Agent (including any related interest and penalties) in acting as Facility Agent under the Finance Documents as a result of such failure.

6. Fees

6.1 Commitment fee

- (A) The Original Borrower shall pay to the Facility Agent for the account of each Lender a fee computed as follows:
- (i) when Commitment is available for utilisation, at a rate equal to 30 per cent. per annum of the then applicable Margin; and
 - (ii) when Commitment is not then available for utilisation, at a rate equal to 20 per cent. per annum of the then applicable Margin.
- (B) The accrued commitment fee is payable quarterly (on each of 31 March, 30 June, 30 September and 31 December) in arrears on any undrawn and uncancelled portion

of the Commitments for the period from the date of this Agreement until and including the last day of the Availability Period.

- (C) Notwithstanding paragraphs (A) and (B) above, the Original Borrower shall not be required to pay any such commitment fees to the Facility Agent for the account of any Lender during the period in which such Lender is a Non-Funding Lender.

6.2 Front end and underwriting fees

The Original Borrower shall pay to each Original Lender, front end and underwriting fees in the amount and at the times agreed in a Fee Letter.

6.3 Facility Agent fee

The Original Borrower shall pay to the Facility Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

6.4 Security Agent fee

The Original Borrower shall pay to the Security Agent (for its own account) a trustee fee in the amount and at the times agreed in a Fee Letter.

6.5 The Technical Bank fee

The Original Borrower shall pay to the Technical Bank (for its own account) a technical bank fee in the amount and at the times agreed in a Fee Letter.

6.6 The Modelling Bank fee

The Original Borrower shall pay to the Modelling Bank (for its own account) a modelling bank fee in the amount and at the times agreed in a Fee Letter.

6.7 The Documentation Bank fee

The Original Borrower shall pay to the Documentation Bank (for its own account) a documentation bank fee in the amount and at the times agreed in a Fee Letter.

PART 5 TAXES, INCREASED COSTS AND INDEMNITIES

1. Tax Gross Up and Indemnities

1.1 Definitions

In this Agreement:

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“**Tax Payment**” means either the increase in a payment made by an Obligor to a Finance Party under clause 15.2 (*Tax gross-up*) or a payment under clause 15.3 (*Tax Indemnity*).

1.2 Tax gross-up

- (A) Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (B) The Original Borrower shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly.
- (C) If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (D) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (E) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Facility Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party (acting reasonably) that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.
- (F) If an Obligor makes any payment to a Finance Party in respect of or relating to a Tax Deduction, but such Obligor was not obliged to make such payment, the relevant Finance Party shall within five Business Days of demand refund such payment to such Obligor.

1.3 Tax Indemnity

- (A) Except as provided below, the Original Borrower shall (within five Business Days of demand by the Facility Agent) indemnify a Finance Party against any loss, liability or cost which that Finance Party determines will be or has been (directly or indirectly) suffered by that Finance Party for or on account of Tax, by that Finance Party in respect of a Finance Document.
- (B) Paragraph (A) above shall not apply:
 - (i) with respect to any Tax assessed on a Finance Party under the law of the jurisdiction in which:
 - (a) that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or
 - (b) that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,
 - if in either such case that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party or that Finance Party's Facility Office; or

(ii) to the extent a loss, liability or cost is compensated for by an increased payment under clause 15.2 (*Tax gross-up*); or

(iii) to the extent a loss, liability or cost relates to a FATCA Deduction required to be made by a Party; or

(iv) with respect to any Tax assessed prior to the date which is 180 days prior to the date on which the relevant Finance Party requests such a payment from the Original Borrower, unless a determination of the amount claimed could only be made on or after the first of those dates.

(C) A Finance Party making, or intending to make a claim under paragraph (A) above shall promptly notify the Facility Agent of the event which will give, or has given, rise to the claim, following which the Facility Agent shall provide to the Original Borrower a copy of the notification by such Finance Party.

(D) A Finance Party shall, on receiving a payment from an Obligor under this clause, notify the Facility Agent. The Finance Parties will undertake to use reasonable endeavours to obtain reliefs and remissions for taxes and deductions and to reimburse that Obligor for reliefs, remissions or credits obtained (but without any obligation to arrange its tax affairs other than as it sees fit nor to disclose any information about its tax affairs).

1.4 Tax Credit

(A) If:-

(i) an Obligor makes a Tax Payment, and

(ii) a Tax Credit is attributable either to an increased payment of which that Tax Payment forms part, or to that Tax Payment, and

(iii) that Finance Party has obtained, utilised and retained that Tax Credit,

the Finance Party shall pay an amount to the Obligor which that Finance Party reasonably determines will leave it (after that payment) in the same after-Tax position as it would have been in but for its utilisation of the Tax Credit.

(B) Nothing in this clause will:

(i) interfere with the rights of any Finance Party to arrange its affairs in whatever manner it thinks fit; or

(ii) oblige any Finance Party to disclose any information relating to its Tax affairs or computations.

1.5 Stamp Taxes

The Original Borrower shall, within five Business Days of demand, pay and indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document other than in respect of an assignment or transfer by a Lender or any breach by any Finance Party of the terms of clauses 28.28 (*Due execution of security assignments*) and 28.30 (*Lenders' custody of documents*).

1.6 Value added tax

- (A) All consideration expressed to be payable under a Finance Document by any Party to a Finance Party shall be deemed to be exclusive of any VAT. If VAT is chargeable on any supply made by any Finance Party to any Party in connection with a Finance Document, that Party shall pay to the Finance Party (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT against delivery of an appropriate VAT invoice.
- (B) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that obligation shall be deemed to extend to all VAT incurred by the Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that neither the Finance Party nor any other member of any VAT group of which it is a member is entitled to credit or repayment of the VAT.

1.7 FATCA Deduction

- (A) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.
- (B) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), and in any case at least three Business Days prior to making a FATCA Deduction, notify the Party to whom it is making the payment and, on or prior to the day on which it notifies that Party, shall also notify the Original Borrower, the Facility Agent and the other Finance Parties.

2. Increased Costs

2.1 Increased costs

- (A) Subject to clause 16.3 (*Exceptions*) the Original Borrower shall, within five Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of the introduction of or any change in (or in the interpretation, administration or application by any governmental body or regulatory Authority of) any law or regulation (whether or not having the force of law, but if not, being of a type with which that Finance Party or Affiliate is expected or required to comply), or as a result of the implementation or application of, or compliance with, Basel III, CRD IV or any law or regulation that implements or applies Basel III or CRD IV.
- (B) In this Agreement "**Increased Costs**" means:
 - (i) a reduction in the rate of return from the Facility or on a Finance Party's (or its Affiliate's) overall capital;
 - (ii) an additional or increased cost; or
 - (iii) a reduction of any amount due and payable under any Finance Document,

which is (a) material and (b) incurred or suffered by a Finance Party or any of its Affiliates but only to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

2.2 Increased cost claims

- (A) A Finance Party intending to make a claim pursuant to clause 16.1 (*Increased costs*) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Original Borrower.
- (B) Each Finance Party shall provide a certificate confirming the amount of its Increased Costs.

2.3 Exceptions

- (A) Clause 16.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
- (i) attributable to a Tax Deduction required by law to be made by an Obligor provided that this clause is without prejudice to any rights which the affected Lender may have under clause 15.2 (*Tax gross-up*) to receive a grossed up payment;
 - (ii) attributable to a FATCA Deduction required to be made by a Party;
 - (iii) the subject of a claim under clause 15.3 (*Tax Indemnity*) (or might be or have been the subject of a claim under clause 15.3 (*Tax Indemnity*)) but for any of the exclusions in paragraph (B) of clause 15.3 (*Tax Indemnity*);
 - (iv) incurred prior to the date which is 180 days prior to the date on which the Finance Party makes a claim in accordance with clause 16.2 (*Increased cost claims*), unless a determination of the amount incurred could only be made on or after the first of those dates;
 - (v) attributable to the wilful breach by the relevant Finance Party or any of its Affiliates of any law or regulation; or
 - (vi) attributable to the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the Effective Date (but excluding any amendment contained in Basel III) ("**Basel II**") or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates).
- (B) In this clause 16.3 (*Exceptions*), a reference to a "**Tax Deduction**" has the same meaning given to the term in clause 15.1 (*Definitions*).

3. Other Indemnities

3.1 Currency indemnity

- (A) If any sum due from an Obligor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted

from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:

- (i) making or filing a claim or proof against that Obligor; or
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within five Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (a) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (b) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (B) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

3.2 Other indemnities

Each Obligor shall, within five Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (A) the occurrence of any Event of Default;
- (B) a failure by an Obligor to pay any amount due under a Finance Document on its due date;
- (C) funding, or making arrangements to fund, its participation in a Utilisation requested by a Borrower in a Utilisation Request but not made by reason of a Default or an act or omission on the part of an Obligor; and
- (D) a Utilisation (or part of a Utilisation) not being prepaid in accordance with a notice of prepayment given by a Borrower.

3.3 Indemnity to the Agents

Each Obligor shall promptly on demand, indemnify each Agent against:

- (A) any cost, loss or liability incurred by that Agent (acting reasonably) as a result of:
 - (i) investigating any event which it reasonably believes is a Default;
 - (ii) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised by an Obligor; or
 - (iii) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under this Agreement; and
- (B) any cost, loss or liability (including for negligence or any other category of liability whatsoever) incurred by that Agent (otherwise than by reason of that Agent’s gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant

to clause 34.9 (*Disruption to Payment Systems etc.*) notwithstanding the relevant Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the relevant Agent) in acting as Agent under the Finance Documents, where such cost, loss or liability arises from any action, suit, claim, investigation or proceeding which is commenced or threatened by a third party or any Finance Party against that Agent.

4. Mitigation by the Lenders

4.1 Mitigation

- (A) Each Finance Party shall, in consultation with the Original Borrower, use all reasonable endeavours to mitigate or remove any circumstances which arise and which would result in any facility ceasing to be available or any amount becoming payable under or pursuant to, or cancelled pursuant to, any of clause 10.2 (*Illegality*), clause 15.2 (*Tax gross-up*), clause 16.1 (*Increased costs*) or clause 13.2 (*Market disruption*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (B) Paragraph (A) above does not in any way limit the obligations of any Obligor under the Finance Documents.
- (C) Each Finance Party shall notify the Facility Agent as soon as it becomes aware that any circumstances of the kind described in paragraph (A) above have arisen or may arise. The Facility Agent shall notify the Original Borrower promptly of any such notification from a Finance Party.

4.2 Limitation of liability

- (A) Each Obligor shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under clause 18.1 (*Mitigation*).
- (B) A Finance Party is not obliged to take any steps under clause 18.1 (*Mitigation*) if, in the *bona fide* opinion of that Finance Party (acting reasonably), to do so might in any way be prejudicial to it.

PART 6 FORECASTS AND CALCULATIONS AND BORROWING BASE AMOUNT

1. Forecasts and Calculations

1.1 Forecast Procedures

- (A) Not less than 30 Business Days before any proposed or required Forecast Date, the Original Borrower and the Technical and Modelling Bank shall consult together with a view to preparing and agreeing the relevant Forecast including the Forecast Assumptions and all associated calculations and information. The Original Borrower shall ensure that a new or updated reserves report is prepared by the Reserves Consultant for the Forecast prepared for 31 March 2019 and for each Forecast prepared on subsequent Forecast Dates. Each party shall consult in good faith and act reasonably, and shall make available sufficiently experienced personnel, with a view to reaching agreement as soon as reasonably practicable. Each Forecast (and all Forecast Assumptions used) shall have due and proper regard to any reasonable

view expressed by any of the Consultants in a report delivered for the purpose of preparing the Forecast, any plan of development, work program and budget and the provisions and requirements of the Project Agreements (and any updates thereto). Any product pricing proposal by the Technical and Modelling Bank shall be reasonable in the circumstances and shall be made in accordance with current business practices, applied on a consistent, reasonable and non-discriminatory basis and reflecting market practice at the time. The price of crude oil derived from a relevant Field will be subject to a floor which will be determined subject to and in accordance with the Forecasting Procedures, provided that the floor may not be reduced at any time to less than 70% of the average Brent Forward Curve for the next 36 months as at the date the relevant Forecast is prepared.

- (B) The Original Borrower shall provide its proposed Forecast to each Lender and the Facility Agent 15 Business Days before the relevant Forecast Date and the Technical and Modelling Bank shall provide their commentary on such Forecast, including whether it agrees or disagrees with such Forecast (including, if applicable, details of the grounds for its determination not to agree with the Forecast). Each Lender shall have 10 Business Days to approve the Forecast and, once approved by the Majority Lenders that Forecast will apply for the relevant Forecast Period. If any such Lender has not objected in writing to the Forecast within such 10 Business Day period, then such Lender shall be deemed to have approved the Forecast. A Forecast shall only be deemed to have been accepted by such Lenders if it has been approved (or deemed approved) by the Majority Lenders. In making any objection, such Lenders must act reasonably and no objection may be made other than on the grounds that a Forecast Assumption which has been used in the Forecast is not reasonable in the circumstances, or on the grounds of proven or manifest error.
- (C) In making any determination in the Forecasting Procedures the Majority Lenders shall give due and proper regard to any information provided (including any report delivered by the Consultants for the purposes of the Forecast) or representations made by the Original Borrower and the Technical and Modelling Bank. Any determination shall take due and proper regard of any plan of development, work program and budget (and any updates thereto) and the provisions and requirements of the Project Agreements. In making any determination in accordance with the Forecasting Procedures in relation to product prices, the price of crude oil derived from a relevant Field will be subject to a floor which will be determined subject to and in accordance with the Forecasting Procedures, provided that the floor may not be reduced at any time to less than 70% of the average Brent Forward Curve for the next 36 months as at the date the relevant Forecast is prepared. Any determination in relation to product prices shall be reasonable in the circumstances and shall be made in accordance with current business practices, applied on a consistent, reasonable and non-discriminatory basis and reflecting market practice at the time.
- (D) If the Majority Lenders do not approve the Forecast, the Original Borrower and the Technical and Modelling Bank shall prepare a revised Forecast which satisfies, in all reasonable respects, the objections of the Majority Lenders.
- (E) If, for any reason, a Forecast is not agreed prior to the applicable Forecast Date, the then applicable Forecast shall continue to apply until the new Forecast is prepared and agreed in accordance with the Forecast Procedures.

1.2 Contents of Forecast

- (A) Each Forecast will set out or include:
- (i) the Technical Assumptions and Economic Assumptions upon which the Forecast is based (including, without limitation, on product prices);
 - (ii) an updated Model;
 - (iii) the calculation of the Borrowing Base Amount;
 - (iv) the calculation of any mandatory prepayment required because the aggregate of outstandings under the Facility exceeds the Borrowing Base Amount;
 - (v) calculations of the Field Life Cover Ratio and the Loan Life Cover Ratio;
 - (vi) the calculation of the Reserve Tail Date;
 - (vii) the aggregate economically recoverable proved (1P) reserves and the proved and probable (2P) reserves remaining to be produced from the Borrowing Base Assets (reflecting any updated reserves report produced by the Reserves Consultant in respect of that Forecast, or if no such updated reserves report has been produced, reflecting the immediately preceding reserves report as may be updated by the Original Borrower with the agreement of the Technical Consultant and the Technical and Modelling Bank (acting reasonably));
 - (viii) the revised Amortisation Schedule (if required) or confirmation that no revision to the Amortisation Schedule is required pursuant to clause 9.2 (*Amendment to Amortisation Schedule*); and
 - (ix) such other reasonable information as the Technical and Modelling Bank may reasonably require.
- (B) All projections and calculations to be made under this clause shall be expressed and made in US Dollars (at the Facility Agent's spot rate of exchange at the time if so required (which the Facility Agent will provide promptly on request)).

1.3 New Borrowing Base Assets and removal of Borrowing Base Assets

- (A) Whenever a new asset becomes, or is to become, a Borrowing Base Asset (including the designation of the Greater Tortue Block Assets), a new Forecast must first be prepared and provided to each Lender for approval, in accordance with this clause 19 (*Forecasts and Calculations*), together with a Sources and Uses Statement, including that asset.
- (B) Following notice from the Original Borrower that it has elected for the Greater Tortue Block Assets to be designated as Borrowing Base Assets and on or before the date on which a Forecast is approved to designate the Great Tortue Block Assets as Borrowing Base Assets, the Security Agent and the relevant Obligor shall execute each of the Greater Tortue Security Documents (in form and substance satisfactory to the Security Agent, acting reasonably).

- (C) Subject to paragraph (D) below, the Original Borrower may at any time elect that any asset (other than those situated in the Ghana Contract Area), which at that time is included as a Borrowing Base Asset, be excluded from the Borrowing Base Assets.
- (D) Whenever a Borrowing Base Asset is to cease to be designated as a Borrowing Base Asset, a new Forecast must first be prepared and provided to each Lender for approval, in accordance with this clause 19 (*Forecasts and Calculations*), together with a Sources and Uses Statement, which does not include that Borrowing Base Asset.

1.4 Manner of Calculations

- (A) All the calculations required for each Forecast will be calculated using the Model on the basis of the Technical Assumptions and Economic Assumptions determined for the purposes of that Forecast.
- (B) Where the manner of determining any of the calculations required for a Forecast differs between the programme on which the Model operates and the provisions of the Finance Documents, the Finance Documents will prevail.

1.5 Borrowing Base Amount

The Borrowing Base Amount shall be determined on each Forecast Date pursuant to a Forecast prepared in accordance with the Forecasting Procedures. The Borrowing Base Amount so determined shall apply for the duration of the next succeeding Forecast Period or until a new Forecast is prepared.

1.6 Calculation of Borrowing Base Amount

- (A) Subject to paragraph (C) below, the Borrowing Base Amount for the purposes of the Facility shall be the lesser of:
 - (i) the sum of: (a) the net present value of Net Cash Flow until the Field Depletion Date plus (a) the net present value of Relevant Capital Expenditure, divided by 1.4; and
 - (ii) the sum of: (a) the net present value of Net Cash Flow until the Final Maturity Date plus (a) the net present value of Relevant Capital Expenditure, divided by 1.15;
- (B) The discount rate utilised to determine the net present values referred to in paragraph (A) above shall be eight per cent. and shall be applied in calculating the net present value of cash flows.
- (C) In determining the reserves attributable to:
 - (i) the Ghana Block Assets and the EG Block Assets and any Developed Assets, such determination shall take account of the proved and probable (2P) reserves;
 - (ii) the Greater Tortue Block Assets:
 - (a) while the Greater Tortue Block Assets are a Developing Asset, such determination shall take account of the proved (1P) reserves; and

- (b) on and from commercial start-up and satisfaction of the Completion Test in respect of the Greater Tortue Block Assets, such determination shall take account of proved and probable (2P) reserves,

provided, in each case, that the Original Borrower has elected to classify the Greater Tortue Block Assets as a Borrowing Base Asset; and

(iii) Developing Assets (other than the Greater Tortue Block Assets), such determination shall take account of proved (1P) reserves only.

- (D) The contribution of the EG Block Assets and the Greater Tortue Block Assets to the Borrowing Base Amount will be capped, in aggregate, at USD 500 million or such larger amount as may be agreed by the Supermajority Lenders.

1.7 Model

- (A) The Technical and Modelling Bank and the Original Borrower may each make proposals with regard to amendments to the Model which it believes:

(i) in good faith are required for the purpose of correcting any manifest error in the form or structure of the Model; or

(ii) to incorporate additional assumptions.

- (B) If the Technical and Modelling Bank and the Original Borrower are unable to agree on the required changes to the Model within 15 Business Days from the date on which such changes were proposed, then the matter shall, on the request of the Original Borrower or the Technical and Modelling Bank, be referred for resolution to an appropriate expert appointed by the Technical and Modelling Bank (being a person having appropriate independent expertise with respect to, but no interest in, the outcome of the matter referred to it).

- (C) The costs of any references to an expert and the costs, if any, incurred in giving effect to any agreed revision to the Model will be borne by the Original Borrower except, in the case of the costs of any reference to an expert only, if the expert determines that any proposal by the Technical and Modelling Bank in respect of the changes to the Model which are in dispute could not be regarded as reasonable and are rejected by such expert, in which case such costs shall be borne by the Lenders.

- (D) Any amendments to the Model will not be made until such time as such amendment has been agreed or determined (as appropriate) pursuant to paragraphs (A) and (B) above. Prior to such amendment being incorporated into the Model, the Model will continue to be utilised without such amendment.

- (E) Where the manner of determining any of the calculations required for a Forecast is amended as a consequence of any amendments made to the Model, the Finance Documents shall be deemed to be amended to reflect any such amendment.

1.8 Approved Developments and Permitted Acquisitions

Prior to requesting the consent of the Majority Lenders to the carrying out of any Approved Development (or the inclusion of any Field or Petroleum Asset (or any part thereof) in the

Borrowing Base Assets as an Approved Development) or to the making of any Permitted Acquisition, the Technical and Modelling Bank and the Original Borrower shall consult in good faith, and acting reasonably, they shall prepare a proposal for the consideration of each Lender which includes all relevant information for the Lenders to make an informed decision on whether to grant the requisite consent (including appropriate reports from the Technical Consultant, the Environmental Consultant and the Reserves Consultant). Any Approved Development or Permitted Acquisition must be compliant with the Equator Principles (as confirmed by the Environmental Consultant). The Technical and Modelling Bank shall include its recommendation with the proposal on whether consent should be given. In considering whether to grant any such consent, the Lenders shall act reasonably and shall take due and proper regard of any recommendation of the Technical and Modelling Bank (but without any liability on the part of the Technical and Modelling Bank and each Lender being deemed to make its own independent assessment) and the information provided with the proposal. If the Majority Lenders refuse their consent, they shall provide the Original Borrower with reasonable details of the reasons why they have refused their consent. A Permitted Acquisition may not take place in Iran, Libya, Myanmar, North Korea, Sudan, Syria, Cuba, Crimea, in any country or with any person which is subject to a Sanctions Regime or on a Sanctions List or any country designated by the Majority Lenders (acting reasonably).

**PART 7
BANKS ACCOUNTS, CASH MANAGEMENT AND RESERVE EQUITY**

1. Bank Accounts and Cash Management

1.1 Project Accounts

- (A) (i) Each Obligor shall establish and maintain each of the Project Accounts, as required under the terms of this Agreement, with the Account Bank in London or such other jurisdiction approved by the Facility Agent (acting reasonably).
- (i) Notwithstanding any other provision of this Agreement or any other Finance Document KEO may maintain and operate such bank accounts (which are not Project Accounts) as it, in its discretion, sees fit and may, subject to clause 28.26(B)-(C), receive and make withdrawals from any such account without restriction. Any amounts standing to the credit of any such account shall not be subordinated to the rights of the Lenders and shall not be available to the Finance Parties whether as secured or unsecured creditors of the Obligors and irrespective of whether an Event of Default has occurred. KEO may grant security over any such account in favour of any person and shall not be required to grant any Security Interest in favour of the Finance Parties.
- (B) The Project Accounts, other than the Ghana Working Capital Cedi Account which shall be denominated in Ghanaian Cedi, shall be denominated in US Dollars. Any sum constituting interest paid in respect of the credit balance on any Project Account shall be treated in the same manner as any other sum credited to a Project Account.
- (C) Each Project Account will be a separate account at the Account Bank. The Project Accounts will be maintained until the Discharge Date.
- (D) Amounts may be deposited into the Onshore Working Capital Accounts, to the extent necessary, to meet local onshore payments only, provided that the aggregate

balance in such accounts may not exceed USD 10 million (or its equivalent in other currencies) or such higher amount agreed by the Facility Agent (acting reasonably).

- (E) Subject to paragraph (D) above and to the order of payments provided for in the Cash Waterfall, each Obligor shall maintain the balance of the Offshore Proceeds Accounts and the Onshore Working Capital Accounts, which, when aggregated and taken together with amounts paid in advance for its liabilities under the Project Agreements, is prudent and reasonable.

1.2 Other bank accounts

- (A) Each Obligor (but excluding KEO for these purposes) shall not open or maintain any bank accounts other than:
- (i) the Project Accounts (including such other accounts established by KEG with the Account Bank which would be Project Accounts but for the execution of the KEG Onshore Security Assignment and the KEG Offshore Security Assignment by all the parties thereto in accordance with this Agreement), which shall not be overdrawn at any time and any withdrawals from such Project Accounts shall only be made out of cleared funds;
 - (ii) the Distributions Reserve Accounts, which shall not be overdrawn at any time; and
 - (iii) such accounts as may be necessary or appropriate for it to perform its obligations as an operator and, except into which moneys received from, or for the account of, any other party may be paid as required (but any money being related to any carried interest (including in respect of the carried interest of EO) in relation to any Borrowing Base Asset shall be paid into an Offshore Proceeds Account) (an “**Interested Third Party**”),

provided that in no event shall such accounts referred to in (ii) and (iii) above, or any moneys standing to the credit of such accounts referred to in (ii) and (iii) above, be available to the Lenders (except on an unsecured basis following the occurrence of any of the events described in clause 29.6 (*Insolvency*) and/or clause 29.7 (*Insolvency proceedings*)) or subject to any restrictions under the Finance Documents and shall not be subject to any Security Interest in favour of any Finance Party (but may be secured in favour of any other person other than the Finance Parties).

- (B) The Lenders will account to KEH and/or the relevant Obligor if and to the extent they receive any proceeds from any account of KEO (which is not a Project Account) as referred to in clause 20.1(A) or any other account referred to in 20.2(A)(ii) or (A)(iii) above, and shall hold any such moneys to the account of, and on trust for, KEH or, as the case may be, KEO.
- (C) Any Lender that is in receipt of proceeds as described in paragraph (B) above shall:
- (i) within five Business Days notify details of the receipt or recovery to the Original Borrower, KEH and the Facility Agent; and
 - (ii) within five Business Days of demand by KEH or KEO, pay an amount equal to such receipt or recovery to KEH or, as the case may be, KEO.

1.3 Appointment of Account Bank

- (A) Any appointment of or change to an Account Bank will become effective only upon that Account Bank executing, or new Account Bank acceding to the terms of, the Project Accounts Agreements or such other terms as may be approved by the Original Borrower and the Facility Agent (acting reasonably).
- (B) An Obligor may, with the consent of the Facility Agent (not to be unreasonably withheld or delayed), change an Account Bank to another bank which meets the requirements of paragraph (C) below, but subject to paragraph (A) above and clause 20.1 (*Project Accounts*). If an Account Bank resigns, then the relevant Obligor will appoint a replacement Account Bank which meets the requirements of paragraph (C), but subject to paragraph (A) and clause 20.1 (*Project Accounts*).
- (C) Each Account Bank shall be a bank whose long-term unguaranteed, unsecured securities or debt has a rating of A- or higher from Standard and Poor's or A3 or higher from Moody's (or equivalent) or such lower rating as the Facility Agent and the Original Borrower shall agree in writing.
- (D) If the Account Bank refuses to establish or maintain any Project Account, as required under the terms of this Agreement, the Original Borrower may appoint a replacement Account Bank in respect of the affected account which meets the requirements of paragraph (C), but subject to paragraph (A) and clause 20.1 (*Project Accounts*).

1.4 Security Documents and Project Accounts Agreements

- (A) Subject to paragraph (C) below, the Project Accounts shall be subject to a first ranking Security Interest in favour of the Secured Parties. The relevant Obligors shall forthwith upon any change to the Account Bank, or upon opening any Project Account which is not subject to the security constituted by the relevant Security Documents, execute and deliver to the Security Agent such supplemental Security Documents as the Security Agent and the Facility Agent may reasonably require in order to create a first priority Security Interest over that Project Account in favour of the Finance Parties. Such supplemental Security Documents must be in a form and in substance satisfactory to the Facility Agent and the Security Agent.
- (B) Subject to paragraph (C) below, the Original Borrower shall, before any Project Account is opened (other than in a country in which a Borrowing Base Asset is situated excluding Ghana), procure that the Obligor and the Account Bank have entered into the Project Accounts Agreements.
- (C) The obligations under paragraphs (A) and (B) above shall not apply to the KES Offshore Proceeds Account, the KEISL Offshore Proceeds Account and the KEM Offshore Proceeds Account unless the Greater Tortue Block Assets are designated as Borrowing Base Assets. The Obligors will satisfy their obligations under paragraphs (A) and (B) above, if the relevant Greater Tortue Security Documents are executed in accordance with Clause 19.3(B) (*New Borrowing Base Assets and removal of Borrowing Base Assets*).
- (D) In the case of execution of any of the Security Documents and Project Accounts Agreements referred to in paragraphs (A) and (B) above, the Original Borrower shall deliver to the Facility Agent documents which are the equivalent of those referred to in paragraph 1 of Schedule 3 (*Conditions Precedent*) in respect of such Security Documents and Project Accounts Agreements, together with any legal opinions

which the Facility Agent may reasonably require, such legal opinions to be provided at the reasonable expense of the Original Borrower. All such documents must be in a form and in substance satisfactory to the Facility Agent.

- (E) The detailed operating procedures for the Project Accounts will be agreed between the relevant Obligor which maintains that Project Account and each Account Bank, but in the event of any inconsistency between those procedures and the Project Accounts Agreements or this Agreement, the provisions of this Agreement shall prevail.

1.5 Control on withdrawals following Default

If a Default has occurred and is continuing and has not been waived, no Obligor may withdraw any moneys from the Project Accounts except:

- (A) with the prior consent of the Facility Agent;
- (B) to meet an Obligor's payment obligations under the Finance Documents (but not any payment obligations owed to any Junior Finance Party or the Proceeds Agent, each as defined in the KEFI Intercreditor Agreement) or the Project Agreements on the relevant due date; or
- (C) to pay for Project Costs not included in paragraph (B) above where:
- (i) the payment in question has been budgeted for and the Facility Agent have given their written consent to the relevant expenditure or cost being incurred; or
- (ii) the failure to make the payment in question would materially and adversely affect the business or financial condition of the Borrowers or any other Obligor.

1.6 Distributions Reserve Account

- (A) Each Obligor may maintain a Distributions Reserve Account into which the amount of any permitted distribution under clause 28.23 (*Distributions*), permitted indebtedness and contributions to the capital of an Obligor may be credited subject to compliance with the Cash Waterfall and such amounts shall not be subordinated to the rights of the Lenders. Amounts standing to the credit of the Distributions Reserve Accounts shall not be available to the Finance Parties whether as secured or unsecured creditors of the relevant Obligor and irrespective of whether an Event of Default has occurred. The Obligors may grant security over their Distributions Reserve Account in favour of any person and shall not be required to grant any Security Interest over the Distributions Reserve Account in favour of the Finance Parties. Sums standing to the credit of the Distributions Reserve Accounts may be withdrawn and applied as the Obligor sees fit.
- (B) The Lenders will account to KEH and/or the relevant Obligor if and to the extent they receive any proceeds from a Distributions Reserve Account or any account of KEO (which is not a Project Account), and shall hold any such moneys to the account of, and on trust for, KEH or, as the case may be, KEO. If any other person has a Security Interest or claim against amounts standing to the credit of a Distributions Reserve Account, any such interest or claim shall be limited to these amounts and they shall not have recourse to the assets of any Obligor generally, nor shall they

be entitled to make any claim or enforce against, or initiate any Insolvency Proceedings of any kind, against any Obligor.

- (C) Any Lender that is in receipt of proceeds as described in paragraph (B) above, shall turnover such proceeds to KEH or, as the case may be, KEO in accordance with paragraph (C) of clause 20.2 (*Other bank accounts*) above.

2. Operation of the Offshore Proceeds Accounts

2.1 Payments in

Unless a Finance Document expressly requires an amount to be paid into any other Project Account, each Obligor must ensure that:

- (A) all Gross Revenues received;
- (B) the proceeds of any Loan or amounts received under an Intercompany Loan Agreement pursuant to clauses 5.1(D), 21.2(A)(ii) and 21.2(A)(iii);
- (C) the proceeds of repayment of any loan made pursuant to any FPSO Construction Financing;
- (D) the proceeds of any Permitted Disposals; and
- (E) any other amount payable to, or received by an Obligor (including payments received under any offtake contract (and the Obligors shall direct any person making such payments that any such payment shall be paid into that account only)), but excluding any amount which may be:
- (i) credited to the Distributions Reserve Account of the Original Borrower;
 - (ii) lent to an Obligor under an Intercompany Loan Agreement pursuant to clause 21.2(A)(viii); or
 - (iii) credited to an account of KEO (which is not a Project Account),

are paid directly into an Offshore Proceeds Account.

2.2 Withdrawals – No Default Outstanding

- (A) Subject to paragraph (B) below, unless otherwise provided and unless there is a Default outstanding, amounts may only be withdrawn from the Offshore Proceeds Accounts and the Onshore Working Capital Accounts (including by way of transfer to any other account) if they are applied for the following purposes and subject to the following priority:
- (i) *first*, payment of Project Costs provided that, if the latest Sources And Uses Statement shows that there is a shortfall in funding projected to be available, then such available funding must, unless the Majority Lenders otherwise agree, be allocated to meet costs in the following order of priority:
- (a) the Ghana Contract Area and the EG Contract Area;
 - (b) the Greater Tortue Contract Area; and

- (c) any other Project Costs.

In the event that there is any projected shortfall in funding, then the Facility may not be used for a purpose set out above unless each of the other purposes higher in the order of priority is fully funded by committed and available funding for the then applicable Forecast Period (including amounts under the Facility and assuming that there is no Default or Event of Default under the Finance Documents).

- (ii) *secondly*, *pari passu*, payment of (or the funding of an Obligor, including by way of payment under any Intercompany Loan Agreement, to enable it to pay) any Financing Costs (excluding any payments of principal) under the Facility due but unpaid (applied to overdue amounts first, unpaid fees second, and unpaid interest third) or scheduled payments due but unpaid under a Hedging Agreement;
- (iii) *thirdly*, *pari passu*, payments of (or the funding of an Obligor, including by way of payment under any Intercompany Loan Agreement to enable it to pay) principal under the Facility due but unpaid (applied to overdue amounts first and then to unpaid principal payments) and payment of (or the funding of a Borrower, including by way of payment under any Intercompany Loan Agreement to enable it to pay) any liabilities, including any early termination payment, due but unpaid under a Hedging Agreement;
- (iv) *fourthly*, payment of any mandatory prepayments required because the outstandings under the Facility exceed the Borrowing Base Amount as determined by the most recent Forecast;
- (v) *fifthly*, payment of Scheduled KEL Debt Payments which are made by way of a Scheduled KEL Debt Payment Distribution;
- (vi) *sixthly*, payments required to be made into the DSRA up to the Required Balance;
- (vii) *seventhly*, prepayments under the Finance Documents and/or providing cash collateral under any Letter of Credit; and
- (viii) *lastly*, so long as the Dividend Release Test is met, to make distributions to its shareholders at the relevant Borrower's discretion, which shall include making payments to the Distributions Reserve Account and payments under any Intercompany Loan Agreement provided that the amount distributed shall be based on the aggregate amount standing to the credit of the Offshore Proceeds Accounts on the relevant payment date after the amounts in (i) to (vii) above have been deducted.
- (B) Notwithstanding paragraph (A) above, so long as the Dividend Release Test is met, a Borrower may make a Utilisation in order to deposit an amount directly into a Distribution Reserve Account in an amount less than or equal to the amount by which the funding which is projected to be available to meet costs exceeds the aggregate costs (for these purposes excluding Shareholder Distributions), in each case, as set out in the latest Sources and Uses Statement.

3. Debt Service Reserve Account

3.1 Funding of Debt Service Reserve Account

- (A) The Original Borrower shall ensure on an ongoing basis that deposits are made into the Debt Service Reserve Account in accordance with the Cash Waterfall until the balance of such account is not less than the Required Balance. The funding of the Debt Service Reserve Account shall continue in accordance with the Cash Waterfall until the Discharge Date.
- (B) Failure to maintain the Required Balance standing to the credit of the Debt Service Reserve Account shall not constitute an Event of Default for the purposes of clause 29 (*Events of Default*), but failure to apply amounts from the Project Accounts during the relevant Forecast Period in accordance with the Cash Waterfall shall constitute an Event of Default for the purposes of clause 29 (*Events of Default*).
- (C) Notwithstanding the provisions of paragraphs (A) and (B) above, a Borrower may (without being restricted by the Cash Waterfall) make a Utilisation under the Facility to fund the Debt Service Reserve Account.

3.2 Withdrawals from Debt Service Reserve Account

- (A) Subject to paragraph (B) below, amounts standing to the credit of the Debt Service Reserve Account may be withdrawn only to pay any Financing Costs under the Facility and to make Scheduled KEL Debt Payments in accordance with the Cash Waterfall.
- (B) In addition, withdrawals may be made from the Debt Service Reserve Account to the extent the amount withdrawn is equal to or less than the amount (if any) by which the amount standing to the credit of the Debt Service Reserve Account exceeds the applicable Required Balance at that time. Any such withdrawal may be applied in accordance with, and for the purposes set out in, the Cash Waterfall.

4. Authorised Investments

4.1 Power of investment

Subject always to clause 20.1 (*Project Accounts*), an Obligor may require that such part of the amounts standing to the credit of any of the Project Accounts as it may consider prudent (having reasonable grounds for so considering) shall be invested from time to time in Authorised Investments in accordance with this clause 23 and in a manner consistent with the provisions of clause 28.17(A) (*Hedging*).

4.2 Type of investment

- (A) The Obligors shall use their reasonable endeavours to procure that there are maintained from time to time a prudent spread of Authorised Investments and that the maturity of Authorised Investments is such that they can be liquidated to enable all payment obligations under the Finance Documents to be met on the due date.
- (B) If any Authorised Investment ceases to be an Authorised Investment, the relevant Obligor which maintains that Authorised Investment will, as soon as reasonably practicable upon becoming aware of this, procure that the relevant investment is replaced by an Authorised Investment or cash, provided that if it does not propose

liquidating the relevant investment earlier than its maturity, it shall notify the Facility Agent that such investment is no longer an Authorised Investment promptly upon becoming aware of this and, subject to it having provided such notice, it will not be obliged to liquidate such investment before its maturity date unless the Facility Agent, acting reasonably, requests it to do so.

4.3 Realisations

- (A) Upon the realisation (whether by way of disposal, maturity or otherwise) of any Authorised Investment, the net proceeds of realisation shall either immediately be credited directly to the Project Account from which the Authorised Investment or such investment was made, or (unless a Default has occurred and is continuing) immediately be invested in another Authorised Investment, whichever the relevant Obligor directs.
- (B) Upon the receipt of any interest, dividends or other income from or in respect of any Authorised Investment, such interest, dividends or other income shall be credited to the Project Account concerned with the Authorised Investment or such other investment from which such interest, dividend or other income derives, or (if such interest, dividend or other income is derived from an Authorised Investment and such Authorised Investment is to be retained after such interest, dividend or other income is received and the relevant Obligor so requests) the relevant interest, dividend or other income shall be reinvested in that Authorised Investment.

4.4 Project Accounts include Authorised Investments

- (A) Any reference in this Agreement to the balance standing to the credit of one of the Project Accounts shall be deemed to include a reference to the Authorised Investments in which all or part of such balance is for the time being invested. (other than for the purposes of determining the balance required to comply with clause 20.1 (*Project Accounts*)). In the event of any dispute as to the value of any Authorised Investment for the purpose of determining the amount deemed to be standing to the credit of a Project Account, that value shall be determined by the Facility Agent acting reasonably and in good faith and following consultation with the Original Borrower and having given due consideration to any representations given by the Original Borrower within the period required by the Facility Agent (which period shall not, in any event, be of shorter duration than five Business Days). If the Original Borrower so requests, the Facility Agent will give the Original Borrower details of the basis or method of its determination.
- (B) An Obligor may, by notice in writing to the Facility Agent and the relevant Account Bank, deem an Authorised Investment to be concerned with a different Project Account so as to transfer Authorised Investments between Project Accounts, if:
 - (i) the aggregate amount standing to the credit of each Project Account remains the same; or
 - (ii) the transfer of an equivalent amount between those Project Accounts would be permitted.

4.5 Security over Authorised Investments

Prior to an Obligor making any Authorised Investment in England, that Obligor shall ensure that it has entered into the Offshore Security Assignment. To the extent that any Authorised

Investment is made in a jurisdiction other than England, the relevant Obligor shall execute and deliver, such other security as the Facility Agent may reasonably require from time to time in order to ensure that such Authorised Investment is secured to the Finance Parties by way of first priority security, in a form and substance satisfactory to the Facility Agent and the Security Agent, acting reasonably.

4.6 Interest on balances in Project Accounts

Each sum credited to a Project Account from time to time shall, from the time it is so credited until the time it is withdrawn therefrom (whether for the purpose of making an Authorised Investment or otherwise for application in accordance with the terms of this Agreement), bear interest at such rate as the relevant Obligor may from time to time agree with the relevant Account Bank.

PART 8 FINANCIAL AND PROJECT INFORMATION

1. Information Undertakings

The undertakings in this clause remain in force from the date of this Agreement until the Discharge Date.

1.1 Books of account and auditors

Each Obligor shall:

- (A) keep proper books of account relating to its business; and
- (B) appoint and maintain as its auditors any Auditor.

1.2 Financial statements

- (A) Before (but for the avoidance of doubt not after) KEL or any of its Subsidiaries from time to time undertakes an IPO, the Original Borrower shall procure that KEH shall supply to the Facility Agent (in sufficient copies as most recently notified by the Facility Agent as being sufficient to allow one copy for each Lender):
 - (i) as soon as they become available, but in any event within 180 days of the end of each financial year, its audited consolidated financial statements for that financial year;
 - (ii) within 90 days of the end of each semi-annual period, its unaudited semi-annual consolidated financial statements for that period; and
 - (iii) within 90 days of the end of each quarter, its quarterly management reports for that period.
- (B) After (but for the avoidance of doubt not before) KEL or any of its Subsidiaries from time to time undertakes an IPO, the Original Borrower shall procure that KEL shall supply to the Facility Agent (in sufficient copies as most recently notified by the Facility Agent as being sufficient to allow one copy for each Lender):

- (i) as soon as they become available, but in any event within 180 days of the end of each financial year, its audited consolidated financial statements for that financial year; and
 - (ii) within 90 days of the end of each quarter, its quarterly management reports for that period.
- (C) KEO shall supply to the Facility Agent (in sufficient copies as most recently notified by the Facility Agent as being sufficient to allow one copy for each Lender) within 90 days of the end of each quarter, its quarterly management reports for that period.
- (D) If any audited consolidated financial statements which have been provided to the Facility Agent pursuant to either clause (A)(i) or (B)(i) above contain an auditors' qualification then, in each case if instructed to do so by the Facility Agent (acting only on the instructions of the Majority Lenders):
- (i) KEO shall supply to the Facility Agent (in sufficient copies as most recently notified by the Facility Agent as being sufficient to allow one copy for each Lender), as soon as practicable, but in any event within 120 days of being so requested, its audited financial statements for its last financial year; and
 - (ii) each Borrower and KEEG shall supply to the Facility Agent (in sufficient copies as most recently notified by the Facility Agent as being sufficient to allow one copy for each Lender), as soon as practicable, but in any event within 120 days of being so requested, its audited financial statements for its last financial year.
- (E) If during any financial year of any Borrower or KEEG there is a material change in the nature and extent of the accounting transactions which that Borrower or KEEG enters into, it shall promptly inform the Facility Agent thereof and that Borrower or KEEG (as applicable) shall, if instructed to do so by the Facility Agent (acting on the instructions of the Majority Lenders (acting reasonably)), supply to the Facility Agent (in sufficient copies for each Lender), as soon as they become available, but in any event within 180 days of request, its audited consolidated financial statements for its last financial year.

1.3 Year-end

KEO, the Borrowers and KEEG shall not change their Accounting Reference Date without the consent of the Majority Lenders.

1.4 Form of financial statements

- (A) KEO and the Original Borrower must ensure that each set of financial statements supplied under this Agreement:
- (i) is certified by an Authorised Signatory of the relevant company as a true and correct copy; and
 - (ii) gives (if audited) a true and fair view of, or (if unaudited) fairly represents, the financial condition of the relevant company for the period to the date on which those financial statements were drawn up.

- (B) Unless otherwise agreed with the Facility Agent, all accounts of KEH, KEL, KEO, KEEG, KEM, KES and the Original Borrower delivered under this Agreement shall be prepared in accordance with the Approved Accounting Principles.
- (C) KEO and the Original Borrower must notify the Facility Agent of any material change to the manner in which any audited financial statements delivered under this Agreement are prepared.
- (D) If requested by the Facility Agent, each of KEH, KEL, KEO, KEEG, KEM, KES and the Original Borrower must supply to the Facility Agent:
 - (i) a full description of any change notified under paragraph (B) above and the adjustments which would be required to be made to those financial statements in order to cause them to use the accounting policies, practices, procedures and reference period upon which such financial statements were prepared prior to such change; and
 - (ii) sufficient information, in such detail and format as may be required by the Facility Agent (acting reasonably), to enable the Lenders to make a proper comparison between the financial position shown by the set of financial statements prepared on the changed basis and its most recent audited financial statements delivered to the Facility Agent under this Agreement prior to such change.

1.5 Compliance Certificate

- (A) KEO, KEEG, KEM, KES and the Original Borrower must supply (and, in the case of the Original Borrower, procure that KEH and KEL supply) to the Facility Agent a compliance certificate with each set of financial statements sent to the Facility Agent under clauses 24.2(A), 24.2(B), 24.2(C), 24.2(D) and 24.2(E) above certifying the matters specified in clause 24.4(A)(ii) above.
- (B) A compliance certificate supplied in accordance with paragraph (A) above must be signed by two Authorised Signatories of KEH, KEL, KEO, KEEG, KEM, KES or the Original Borrower, as applicable.

1.6 Project Information and Hedging Information

- (A) Each Obligor must (as soon as reasonably practicable) supply to the Facility Agent, in sufficient copies for all the Lenders if the Facility Agent so requests:
 - (i) any new updates to, and amendments to, each agreed budget, or development and/or work programme in relation to each Borrowing Base Asset owned by it as soon as reasonably practicable following receipt from the relevant Operator (and, in any event, within 21 days of receipt) and the latest Operator Report for each Borrowing Base Asset and each Developing Asset owned by it, as soon as reasonably practicable following receipt from the relevant Operator (and, in any event, within 21 days of receipt);
 - (ii) copies of all reports provided to any Authority by the Operator which have been copied to an Obligor (and in any event within 21 days of receipt);
 - (iii) such technical and commercial information which an Obligor has in its possession relating to a Field or Petroleum Assets or its or their condition

and which is relevant to the interests of the Lenders under the Finance Documents as the Facility Agent may reasonably request from time to time (following prior consultation with the Original Borrower); and

(iv) promptly, details of any material updates or amendments to any Project Agreement.

(B) Subject to paragraph (C) below, the Original Borrower shall procure that the terms of appointment of the Technical Consultant shall require it (in consultation with the Technical and Modelling Bank) to prepare and deliver the following reports and information to the Technical and Modelling Bank and the Original Borrower for distribution to the Lenders:

(i) a quarterly report on the Project Costs which have been incurred, reconciled against draw-downs made, equity contributed and cash held in the Project Accounts;

(ii) a semi-annual report on the progress of each Developing Asset, including confirmation of the projected date for Completion and the aggregate of Project Costs required to achieve Completion (reconciled against the most recent Forecast) and whether there are, in its opinion, any other material issues or concerns of which it is aware in relation to the Developing Asset which should be brought to the attention of the Lenders;

(iii) a semi-annual report on the operation of each Developed Asset, including the amount and timing of all Entitlement lifted by the Obligors and details of the disposal of that Entitlement (including price); and

(iv) in any of the foregoing reports, such additional information or commentary as the Technical and Modelling Bank may reasonably require (following prior consultation with the Original Borrower) in order for the Lenders (in the context of their interests under the Finance Documents) to be properly informed about the progress, implementation, development and operation of the Borrowing Base Assets,

and the Original Borrower shall provide the Technical Consultant and the Technical and Modelling Bank with reasonable assistance and provide each of them with such information and other documents as the Technical Consultant and/or the Technical and Modelling Bank may reasonably request in order for the Technical Consultant to prepare and deliver the reports and information referred to in (i) to (iv) above and/or the Technical and Modelling Bank to consider and review such reports and information. Such assistance shall include facilitating visits by the Technical Consultant and the Technical and Modelling Bank to the Borrowing Base Assets and the construction/fabrication facilities of any Obligor's contractors.

(C) The Technical Consultant shall not be obliged to prepare and deliver, and the Original Borrower shall not be obliged to assist in the preparation and delivery of, reports and information as detailed in clause 24.6(B)(i) to (iv) in relation to the Ghana Block Assets and/or the EG Block Assets subject to the right of the Technical and Modelling Bank or the Majority Lenders (acting reasonably) to request the same. Following such request the Technical Consultant shall prepare and deliver, and the Original Borrower shall assist in the preparation and delivery of, the reports and information in accordance with clause 24.6(B).

- (D) At any time when no Technical Consultant is appointed, the Facility Agent and Technical Bank may request that one is appointed and the Original Borrower shall procure such appointment on terms satisfactory to the Technical Bank (acting reasonably) within 10 Business Days of request.
- (E) The Original Borrower must supply to the Facility Agent at the end of each quarter a summary of such information related to its hedging arrangements under clause 28.17 (*Hedging*) as is currently contained in the relevant SEC Form 10-Q, including for the avoidance of doubt, nominal amount, net mark-to-market, and products used.

1.7 Information: Miscellaneous

Each Obligor shall supply to the Facility Agent, in sufficient copies for all the Lenders, if the Facility Agent so requests:

- (A) all documents dispatched by each Obligor to its Shareholders (or any class of them) or its creditors generally, at the same time as they are dispatched;
- (B) promptly after becoming aware of them, the details of any material litigation, arbitration or administrative proceedings which are currently threatened or pending against the Guarantor or any member of the Group or in respect of or relevant to an interest in a Borrowing Base Asset or a Greater Tortue Block Asset;
- (C) promptly after they have been issued, copies of any insurance policies in respect of all Agreed Insurances and any renewals in respect of such insurance policies;
- (D) promptly after becoming aware of them, details of any claims made under any Insurance where the claim is for a sum in excess of USD 10 million (or its equivalent in other currencies); and
- (E) promptly, such further information regarding the financial condition, assets, business and operations of the Guarantor or any member of the Group as the Facility Agent may reasonably request.

1.8 Sources and Uses

- (A) The Original Borrower must supply to the Facility Agent on 31 March and 30 September in each year (each such date a "**Sources and Uses Statement Date**") and may supply to the Facility Agent at any other time (in sufficient copies for all the Lenders if the Facility Agent so requests) for the following twelve month period:
 - (i) a sources and uses statement ("**Sources and Uses Statement**") in the form set out in Part I of Schedule 15 to this Agreement; and
 - (ii) a liquidity statement ("**Liquidity Statement**") in the form set out in Part II of Schedule 15 to this Agreement.
- (B) In relation to any Sources and Uses Statement and/or any Liquidity Statement prepared on a Sources and Uses Statement Date, in the event that the aggregate costs to be applied under any Sources and Uses Statement and/or any Liquidity Statement delivered to the Facility Agent under paragraph (A) above exceed the funding which is projected to be available to meet those costs (respectively), then the Original Borrower shall consult with the Facility Agent and the Technical and

Modelling Bank in good faith with a view to agreeing a plan pursuant to which the Original Borrower will be able to meet any projected shortfall in funding.

- (C) Notwithstanding paragraph (B) above, within 30 days of the relevant Sources and Uses Statement Date, the Original Borrower shall deliver to the Facility Agent the Original Borrower's remedial plan for the funding of any projected shortfall in funding shown in a Sources and Uses Statement and/or a Liquidity Statement. Each Borrower shall use all reasonable endeavours to comply with such plan (or any update thereto which it delivers to the Facility Agent), and shall consult on a regular basis with the Facility Agent and the Technical and Modelling Bank on the remedial steps being taken to fund any projected shortfall in funding.
- (D) In the event that the sum of Project Costs and Scheduled KEL Debt Payments specified under any Sources and Uses Statement delivered to the Facility Agent under paragraph (A)(i) above exceeds the funding which is projected to be available to meet those Project Costs and Scheduled KEL Debt Payments, then a Junior Payment Stop Event (as defined in the KEFI Intercreditor Agreement) will be deemed to have occurred in accordance with the process set out in Clause 4.4 (*Issue of Junior Payment Stop Notice*) of the KEFI Intercreditor Agreement. Notwithstanding this clause 24.8(D), nothing shall block the payment of Scheduled KEL Debt Payments or the making of a Scheduled KEL Debt Payment Distribution which is paid or made from amounts standing to the credit of the Distributions Reserve Account.
- (E) A Default or an Event of Default will not occur solely as a result of a Sources and Uses Statement or a Liquidity Statement showing a shortfall in funding.

1.9 Approved Development

The Original Borrower must supply to the Facility Agent (in sufficient copies for all the Lenders if the Facility Agent so requests) quarterly and monthly project reports in respect of an Approved Development, to the extent that they are available from the Operator.

1.10 Compliance with Remedial Plan

Each Borrower shall use all reasonable endeavours to implement the remedial plan (or amended plan provided to the Facility Agent) and shall continue to consult on a regular basis with (and when requested by) the Facility Agent and the Technical Bank on implementation of the plan.

1.11 Notification of Default

Each Obligor must notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) and any material default under or material breach of any Project Agreement promptly upon becoming aware of its occurrence.

1.12 "Know your customer" and "customer due diligence" requirements

- (A) If:

- (i) the introduction of or any change in (or in the interpretation, administration or application by any government or regulatory Authority of) any law or regulation (having the force of law) made after the date of this Agreement;
- (ii) any change in the status of an Obligor (or of a holding company of an Obligor (including a change in the public company status of KEL)) or the composition of the shareholders of an Obligor (or of a holding company of an Obligor (other than a change in the composition of the shareholders of KEL)) after the date of this Agreement; or
- (iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges any Agent or any Lender (or, in the case of paragraph (C) below, any prospective new Lender) to comply with "know your customer", "customer due diligence" or similar identification procedures in circumstances where the necessary information is not already available to it (or, in the case of paragraph (C) below, cannot be provided by the transferring Lender from information already provided to it), the Original Borrower shall, as soon as reasonably practicable upon the request of the relevant Agent or the relevant Lender, supply, or procure the supply of, such reasonable documentation and other evidence as is within an Obligor's possession and control to enable such Agent or such Lender to comply with all necessary "know your customer", "customer due diligence" or other similar checks required under the relevant laws and regulations.

- (B) Each Lender shall promptly upon the request of the Facility Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself) in order for the Facility Agent, as the case may be, to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.
- (C) The Original Borrower shall, by not less than 10 Business Days' prior written notice to the Facility Agent, notify the Facility Agent (which shall promptly notify the Lenders) of its intention to request that one of KEL's subsidiaries (other than a subsidiary of an Obligor (excluding KEEG) which owns Borrowing Base Assets) becomes an Additional Guarantor pursuant to this Agreement.
- (D) Following the giving of any notice pursuant to paragraph (C) above, if the accession of such Additional Guarantor obliges the Facility Agent or any Lender to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Original Borrower shall promptly upon the request of the Facility Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender) or any Lender (for itself or on behalf of any prospective new Lender) in order for the Facility Agent or such Lender or any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the accession of such subsidiary to this Agreement as an Additional Guarantor.

1.13 Forecast Notification Events

- (A) The Original Borrower shall notify the Facility Agent and the Lenders promptly after becoming aware of any Forecast Notification Event.
- (B) Any such notification under clause 24.13(A) shall result in the commencement of a consultation period for a period ending 10 Business Days after the date of such notification (a "**Consultation Period**") during which time the Original Borrower and the Lenders will consult. Following the end of the Consultation Period, the Lenders will be required to submit their vote to the Facility Agent as to whether to waive or not waive the preparation of an interim Forecast as a result of the Forecast Notification Event in accordance with clause 42 (*Amendments and Waivers*). If the Majority Lenders do not waive the preparation of an interim Forecast relating to that Forecast Notification Event, the Original Borrower shall prepare a Forecast pursuant to clause 19 (*Forecasts and Calculations*) and the Facility Agent shall designate a Forecast Date which falls no more than 90 days after the last day of the Consultation Period relating to that Forecast Notification Event.

1.14 Use of websites

- (A) Except as provided below, each Obligor may deliver any information under this Agreement to the Facility Agent by posting it on to an electronic website if:
 - (i) it maintains or has access to an electronic website for this purpose and provides the Facility Agent with the details and password to access the website and the information; and
 - (ii) the information posted is in a format required by this Agreement or is otherwise agreed between each Obligor and the Facility Agent (whose approval shall not be unreasonably withheld or delayed).

The Facility Agent must supply each relevant Lender with the address of and password for the website.
- (B) Notwithstanding the above, the Original Borrower must supply to the Facility Agent in paper form a copy of any information posted on the website together with sufficient copies for:
 - (i) any Lender who notifies the Facility Agent in writing (copied to each Obligor) that it does not wish to receive information via the website; and
 - (ii) within ten Business Days of request, any other Lender, if that Lender so requests.
- (C) Each Obligor must promptly upon becoming aware of its occurrence, notify the Facility Agent if:
 - (i) the website cannot be accessed;
 - (ii) the website or any information on the website is infected by any electronic virus or similar software;
 - (iii) the password for the website is changed; or
 - (iv) any information to be supplied under this Agreement is posted on the website or amended after being posted.

- (D) If the circumstances in sub-paragraph (C)(i) or (C)(ii) above occur, an Obligor must supply any information required under this Agreement in paper form until the circumstances giving rise to the notification are no longer continuing and the information can be provided in accordance with paragraph (A) above.

PART 9 GUARANTEE

1. Guarantee and Indemnity

1.1 Guarantee and indemnity

Each Guarantor irrevocably and unconditionally jointly and severally:

- (A) guarantees to each Finance Party punctual performance by each Borrower of all that Borrower's obligations under the Finance Documents;
- (B) undertakes with each Finance Party that whenever a Borrower does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- (C) will, as an independent and primary obligation, indemnify each Finance Party immediately on demand against any cost, loss or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which that Finance Party would otherwise have been entitled to recover.

1.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

1.3 Reinstatement

If any payment by an Obligor or any discharge given by a Finance Party (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:

- (A) the liability of each Obligor shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (B) each Finance Party shall be entitled to recover the value or amount of that security or payment from each Obligor, as if the payment, discharge, avoidance or reduction had not occurred.

1.4 Waiver of defences

The obligations of each Guarantor under this clause 25 will not be affected by an act, omission, matter or thing which, but for this clause, would reduce, release or prejudice any of its obligations under this clause 25 (without limitation and whether or not known to it or any Finance Party) including:

- (A) any time, waiver or consent granted to, or composition with, any Obligor or other person;
- (B) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (C) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (D) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;
- (E) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Finance Document or other document or security;
- (F) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (G) any insolvency or similar proceedings.

1.5 Immediate recourse

Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this clause 25. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

1.6 Appropriations

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

- (A) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and
- (B) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this clause 25.

1.7 Deferral of Guarantors' rights

- (A) Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Facility Agent otherwise directs, no Guarantor will exercise any rights

which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising under this clause 25:

- (i) to be indemnified by an Obligor;
 - (ii) to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents;
 - (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;
 - (iv) to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under clause 25.1 (*Guarantee and indemnity*);
 - (v) to exercise any right of set-off against any Obligor; and/or
 - (vi) to claim or prove as a creditor of any Obligor in competition with any Finance Party.
- (B) If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with clause 34 (*Payment Mechanics*) of this Agreement.

1.8 Release of Guarantors' right of contribution

If any Guarantor ceases to be a Guarantor (a "**Retiring Guarantor**") in accordance with the terms of the Finance Documents for the purpose of any sale or other disposal of that Retiring Guarantor then on the date such Retiring Guarantor ceases to be a Guarantor:

- (A) that Retiring Guarantor is released by each other Guarantor from any liability (whether past, present or future and whether actual or contingent) to make a contribution to any other Guarantor arising by reason of the performance by any other Guarantor of its obligations under the Finance Documents; and
- (B) each other Guarantor waives any rights it may have by reason of the performance of its obligations under the Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under any Finance Document or of any other security taken pursuant to, or in connection with, any Finance Document where such rights or security are granted by or in relation to the assets of the Retiring Guarantor.

1.9 Additional security

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

PART 10
REPRESENTATIONS, COVENANTS, EVENTS OF DEFAULT

1. Representations

Each Obligor makes the representations and warranties set out in this clause to each Finance Party and acknowledges that each Finance Party has entered into the Finance Documents in full reliance on those representations and warranties.

1.1 Status

- (A) It is a limited liability company, duly incorporated and validly existing under the laws of its jurisdiction of incorporation.
- (B) It has the power to own its assets and carry on its business as it is being conducted.

1.2 Legal validity

Each Transaction Document to which it is a party constitutes, or will constitute when executed, its valid, legally binding and enforceable obligations in accordance with its terms (subject to any limitation on enforcement under law or general principles of equity or qualifications which are specifically set out in any legal opinion delivered as a Condition Precedent) and that, so far as it is aware having made all due and careful enquiries, each Transaction Document is in full force and effect.

1.3 Non-conflict

The entry into and performance by it of, and the transactions contemplated by, the Transaction Documents to which it is a party do not conflict with:

- (A) any applicable law or regulation;
- (B) its constitutional documents; or
- (C) any agreement binding upon it,

to the extent which has, or could reasonably be expected to have, a Material Adverse Effect.

1.4 Powers and authority

It has (or had at the relevant time) the power and authority to execute and deliver the Transaction Documents to which it is a party and it has the power and authority to perform its obligations under the Transaction Documents to which it is a party and the transactions contemplated thereby.

1.5 Authorisations

Except for the registration of any Security Document, all Required Approvals (except to the extent already provided as a Condition Precedent, or where required by any Authority in respect of any Security Interest granted (or to be granted) under the Security Documents) have been obtained or effected and are in full force and effect (where a failure to do so has or could reasonably be expected to have a Material Adverse Effect).

1.6 Stamp and registration duties

Except for registration fees, if any, payable in relation to the Security Documents, there is no stamp or registration duty or similar Tax or charge in respect of any Transaction Document, which has not been made or paid within applicable time periods (where a failure to do so has, or could reasonably be expected to have, a Material Adverse Effect).

1.7 No Default

No Default has occurred and is outstanding.

1.8 Final Information Memorandum

- (A) The factual information in the Final Information Memorandum (other than that referred to in paragraph (B) below) was true in all material respects on the date of the Final Information Memorandum and did not omit anything material which was known to the Original Borrower at the time or contain anything that was materially misleading and, except to the extent advised in writing to the Facility Agent by the Original Borrower on or prior to Financial Close, so far as the Original Borrower is aware having made due and careful enquiry, no information has been disclosed to it nor have circumstances arisen nor has any event occurred since the date of the Final Information Memorandum which renders the information contained in the Final Information Memorandum materially misleading or materially incorrect.
- (B) The statements of opinion, projections and forecasts in the Final Information Memorandum attributable to the Original Borrower were made in good faith, with due care and on what the Original Borrower believed to be reasonable assumptions at the relevant time and representing the views of the Original Borrower at the time.

1.9 Financial Statements and other factual information

- (A) The most recent audited financial statements and interim financial statements delivered to the Facility Agent in accordance with clause 24.2 (*Financial statements*) (which, at the Signing Date, is the unaudited opening balance sheet of the Original Borrower as at 18 March 2011):
- (i) have been prepared in accordance with the Approved Accounting Principles (if relevant); and
 - (ii) (if audited) give a true and fair view of, or (if unaudited) fairly represent, its financial condition for the relevant period.
- (B) All factual information provided by or under the express direction of KEO or any Borrower to the Finance Parties in connection with the Facility was believed by KEO or that Borrower (as the case may be) at the time it was so provided to be true in all material respects.

1.10 Proceedings pending or threatened

Except as disclosed to the Facility Agent in writing prior to the Signing Date, no litigation, arbitration or administrative proceeding is pending or threatened which could reasonably be expected to be adversely determined against it and which, if so determined, has, or could reasonably be expected to have, a Material Adverse Effect.

1.11 Breach of laws

- (A) It has not breached any law or regulation which has, or could reasonably be expected to have, a Material Adverse Effect.
- (B) It is in compliance with all environmental laws, a breach of which could reasonably be expected to give rise to a liability on it which has, or could reasonably be expected to have, a Material Adverse Effect and, so far as it is aware having made due and careful enquiry, there is no environmental claim outstanding against it which, if adversely determined, would give rise to a liability on it which has, or could reasonably be expected to have, a Material Adverse Effect.

1.12 Ranking of security

Subject to any limitations on enforcement under law or general principles of equity or qualifications set out in any legal opinion delivered as a Condition Precedent, each Security Document when executed confers the Security Interests it purports to confer over the assets referred to in that Security Document and those assets are not subject to any other Security Interest that is not permitted pursuant to clause 28.6 (*Negative pledge*).

1.13 Pari passu ranking

Its payment obligations under the Finance Documents rank at least pari passu with all its other present unsecured obligations, except for obligations mandatorily preferred by law applying to companies generally.

1.14 Assets

- (A) KEG holds the legal and beneficial interest in a 30.01736% per cent Participating Interest in the WCTP Block; and the legal and beneficial interest in an 17 per cent Participating Interest in the DWT Block.
- (B) KEEG holds the legal and beneficial indirect interest in a 40.375 per cent. Participating Interest in the EG Blocks.
- (C) KEM holds the legal and beneficial interest in a 28 per cent. Participating Interest in Bloc C8.
- (D) KEISL holds the legal and beneficial interest in a 30 per cent. Participating Interest in Saint Louis Profond Block.

1.15 Project Agreements

As at the date of the Fourth Amendment and Restatement Agreement and the Effective Date or, if later, the date a Project Agreement is delivered to the Facility Agent, so far as it is aware having made all due and careful enquiries:

- (A) each copy of a Project Agreement delivered to the Facility Agent under this Agreement is true and complete;
- (B) there is no other agreement in connection with, or arrangements which amend, supplement or affect any Project Agreement in any material respect; and
- (C) no Obligor has a material obligation (being an obligation or liability exceeding USD 50 million (or its equivalent in other currencies)) under any agreement which is not a Project Agreement, a Finance Document, or a Material Contract.

1.16 No Immunity

In any proceedings taken in any relevant jurisdiction in relation to the Transaction Documents (or any of them), it shall not be entitled to claim for itself or any of its assets immunity from suit, execution or attachment or other legal process.

1.17 Ownership of Obligors

- (A) KEH beneficially owns, indirectly, all of the issued share capital of the Guarantors and the Borrowers.
- (B) The issued share capital of the Guarantors and the Borrowers is fully paid up and, to the extent beneficially owned by KEH, free of all encumbrances or other third party rights (other than pursuant to the Security Documents).
- (C) To the extent that a member of the KEL Group has entered into a Security Document that creates, or purports to create, a Security Interest over any shares:
 - (i) such shares are free from any restrictions as to transfer or registration (including pursuant to the creation or enforcement of any Security Interest); and
 - (ii) no company whose shares are subject to such Security Interest and which is incorporated in the United Kingdom keeps information in respect of its members on the central register kept by the registrar at Companies House.

1.18 Sanctions

Neither the Obligors, nor any member of the KEL Group, nor (to the knowledge of any Obligor) any of its or the KEL Group's respective directors, officers, employees, nor any persons acting on the KEL Group's behalf:

- (A) is a Restricted Party or is engaging in or has engaged in any transaction or conduct that could reasonably be expected to result in it becoming a Restricted Party; or
- (B) has received notice of, or is aware of, any claim, action, suit, proceeding or investigation against it with respect to Sanctions by any Sanctions Authority,

provided that this representation is not made to or for the benefit of a Finance Party or any director, officer or employee thereof, to the extent that this provision would expose the Finance Party or any director, officer or employee thereof to liability under any applicable anti-boycott law, regulation or statute.

1.19 Anti-corruption law

Each member of the KEL Group has conducted its businesses in compliance with applicable anti-corruption and anti-money laundering laws and regulations and has instituted and maintains and enforces policies and procedures designed to promote and achieve compliance with such laws and regulations.

1.20 Times for making representations

- (A) The representations set out in this clause 26 (*Representations*) (other than the representations in clauses 26.8 (*Final Information Memorandum*), 26.4 (*Powers*

and authority), 26.5 (Authorisations) and 26.15(B) (Project Agreements)) are made by each Obligor on the date of this Agreement. The representation in clause 26.8 (Final Information Memorandum) will be made on the date of the Final Information Memorandum and the representation in clause 26.4 (Powers and authority) will be made as at the time that the power or authority is exercised only. Each Repeating Representation is deemed to be repeated by each Obligor on the date of each Utilisation Request, each Utilisation Date and on the first day of each Interest Period.

(B) When a representation is repeated, it is applied to the facts and circumstances existing at the time of repetition.

2. Financial Covenants

(A) On any Forecast Date and 30 September in each year (each such date a "**Financial Covenant Test Date**"), the Original Borrower shall ensure that:

(i) the Field Life Cover Ratio shall not be less than 1.30; and

(ii) the Loan Life Cover Ratio shall not be less than 1.10,

in each case, as calculated by the Technical and Modelling Bank (acting reasonably) on the basis of all information made available to it.

(B) On each Financial Covenant Test Date, the Original Borrower shall ensure that:

(i) the ratio of Consolidated Total Net Borrowings to EBITDAX shall be less than or equal to 3.50 : 1.00; and

(ii) the ratio of EBITDAX to the Net Interest Payable shall be greater than or equal to 2.25 : 1.00.

(C) No later than three Business Days following each Financial Covenant Test Date, the Original Borrower shall send to the Facility Agent, a certificate signed by two authorised representatives setting out its calculation of the financial ratios referred to in this clause 27 as at such date.

3. General Undertakings

The undertakings in this clause shall remain in force from the date of this Agreement until the Discharge Date.

3.1 Corporate existence

Each Obligor shall maintain its corporate existence.

3.2 Authorisations

Each Obligor shall promptly obtain and comply with Required Approvals where a failure to do so would have a Material Adverse Effect.

3.3 Compliance with laws

Each Obligor shall comply with all laws and regulations (including compliance with environmental laws, permits and licences and compliance with the Equator Principles) applicable to it where failure to do so would have a Material Adverse Effect.

3.4 **Pari passu ranking**

Each Obligor shall ensure that at all times its payment obligations to the Finance Parties under the Finance Documents rank at least *pari passu* as to priority of payment with all its other present and future unsecured and unsubordinated Financial Indebtedness, except for claims mandatorily preferred by operation of law applying generally.

3.5 **Security**

Subject to clause 28.28 (*Due execution of security assignments*) and clause 28.31 (*Security Documents: consents, ranking and perfection*), each Obligor shall undertake all actions reasonably necessary (including the making or delivery of filings and payment of fees) to maintain the Security Interests under the Security Documents to which it is a party in full force and effect (including the priority thereof).

3.6 **Negative pledge**

Other than Permitted Security:

- (A) an Obligor (but excluding KEO for the purposes of this sub-clause (A)) shall not create or permit to exist any Security Interest over any of its assets; and
- (B) KEO shall not create or permit to exist any Security Interest over any of the assets as contained in Clause 28.8(A)(ii)(1) - (5) below.

3.7 **Conduct of other business**

No Obligor shall conduct any business other than activities in connection with, or related, ancillary, or incidental to, its interests in the Borrowing Base Assets or its interests in any Petroleum Assets.

3.8 **Disposals**

- (A) (i) Other than Permitted Disposals, an Obligor shall not, either in a single transaction or in a series of transactions and whether related or not, dispose of all or a material part of any Borrowing Base Asset or any interests therein or any of its shareholdings in any person holding any interest (whether directly or indirectly) in any Borrowing Base Asset.

(i) Notwithstanding any other provision of this Agreement or any other Finance Document KEO shall have full flexibility and discretion to deal with its subsidiaries and its and their assets, other than its interests in:

- (1) any other Obligor;
- (2) the assets of any other Obligor;
- (3) any asset which is the subject of a Security Document;
- (4) any Project Account; or

(5) any Borrowing Base Asset.

in such manner as it sees fit and at its discretion including, but without limitation, the flexibility to sell, farm-out, dispose of, transfer, grant Security Interests over, distribute by way of dividend, restructure, consolidate or merge or otherwise part with ownership and possession of such subsidiary and/or assets.

- (B) If an Obligor wishes to make a Permitted Disposal of an asset which is subject to a Security Interest in favour of the Finance Parties, then the Finance Parties shall, promptly upon request from the Original Borrower, absolutely and unconditionally release and discharge the relevant asset from that Security Interest and shall do all things necessary at the cost and expense of the Original Borrower to effect such discharge.
- (C) The shares in the capital of KEO, KEEG, KES, KEM or the Original Borrower may at any time be transferred to another holding company in which event the existing security over such shares shall be released subject to such new holding company providing substitute security over all shares in the capital of KEO, KEEG, KES, KEM or the Original Borrower, as the case may be, on substantially the same terms and conditions.

3.9 Financial Indebtedness

Other than Permitted Financial Indebtedness, an Obligor shall not incur any Financial Indebtedness.

3.10 Material contracts

No Obligor will enter into any contract or agreement that imposes material obligations on it except:-

- (A) contracts or agreements entered into in the ordinary course of business and on arm's length terms (including in relation to Approved Developments and Permitted Acquisitions);
- (B) contracts or agreements relating to a Permitted Disposal and entered into on arm's length terms;
- (C) the Project Agreements and the EO Participation Agreement and contracts and agreements required or contemplated therein or in respect of the development and implementation of the Obligors' interest in the Fields;
- (D) contracts or agreements otherwise permitted or contemplated by the Finance Documents;
- (E) where the obligations and liabilities of the Obligor thereunder are fully funded by Permitted Financial Indebtedness or equity contributions; or
- (F) with the approval of the Majority Lenders (acting reasonably).

3.11 Guarantees

Except in the case of Permitted Financial Indebtedness, no Obligor may, without the approval of the Majority Lenders (acting reasonably), enter into guarantees or indemnities in respect of obligations or liabilities of any other person (excluding Obligors).

3.12 Mergers

No Obligor may enter into any amalgamation, consolidation, demerger, merger or reconstruction or winding-up without the consent of the Majority Lenders, except on a solvent basis and in circumstances where the Obligor remains the legal entity following such amalgamation, consolidation, demerger, merger or reconstruction or winding-up.

3.13 Loans

- (A) Except as provided in (B) below, no Obligor may be a creditor in respect of any Financial Indebtedness.
- (B) Paragraph (A) does not apply to:
 - (i) any loans made pursuant to an Intercompany Loan Agreement;
 - (ii) any credit provided under a Project Agreement;
 - (iii) any trade credit in the ordinary course of day to day business;
 - (iv) loans or other credit not exceeding USD 100 million (or its equivalent in other currencies) in aggregate at any one time; or
 - (v) any other credit approved by the Majority Lenders (acting reasonably).

3.14 Operation

As far as it is able to do so by exercising its rights under a Project Agreement to which it is a party, each Obligor will use its reasonable endeavours to procure that the Borrowing Base Assets are developed, operated and maintained in all material respects in accordance with the terms of that Project Agreement and applicable law and in accordance with good international oil industry practice.

3.15 Compliance with Project Agreements

- (A) Each Obligor must comply with its obligations under the Project Agreements to which it is a party where failure to do so would have a Material Adverse Effect.
- (B) In the event an Obligor fails to pay any sum due under any Project Agreement it shall take such steps as shall be reasonably available to it so as to permit such payment to be made on its behalf by any Finance Party or any person acting on behalf of any Finance Party.

3.16 Insurances

- (A) Each Obligor will maintain all Agreed Insurances which it maintains in its own name, promptly pay all premiums and other monies payable under all its Agreed Insurances and promptly on written request produce to the Facility Agent a copy of each policy and evidence (reasonably acceptable to the Facility Agent) of payment of such sums (and allow the Lenders to implement such insurance at the cost of the Original

Borrower in the event of any default in that regard) and exercise its rights under the Project Agreements to procure (as far as it is able) the maintenance of the Agreed Insurances.

- (B) On an annual basis commencing on the Effective Date, the Original Borrower shall deliver a certificate to the Facility Agent, which is addressed to the Finance Parties from the Group's insurance broker confirming, among other things, (a) the Agreed Insurances are in place, effective and consistent with industry practice and (b) there are no overdue billed premiums.

3.17 Hedging

- (A) The Obligors will maintain in place at all times a prudent risk management policy relating to managing their exposure to interest rates and fluctuations in the price of crude oil derived from a relevant Field. In relation to hedging which is implemented to manage exposure to fluctuations in the price of crude oil derived from a relevant Field, the volume which may be hedged by instruments creating contingent liabilities will be capped at 90 per cent. of 2P Developed Assets (as determined in accordance with the applicable Forecast) which are producing, such cap to apply on a rolling annual basis and thereafter 75 per cent. shall be the relevant cap.
- (B) To the extent that either the 90 per cent. cap or 75 per cent. cap, as applicable, is exceeded at any time, it shall not constitute a Default or an Event of Default under any circumstances provided that the Obligors have used their reasonable endeavours to take such reasonable action as is available to them to cure or mitigate the excess as soon as reasonably possible such that the cap is no longer exceeded.
- (C) The Obligors will have the right to implement any hedging by either (i) entering into Hedging Agreements with one or more Hedging Counterparties; and/or (ii) entering into Derivative Agreements with counterparties who do not accede to the terms of the Intercreditor Agreement and where the relevant payments thereunder are a Project Cost.
- (D) The Original Borrower will permit not less than three Lenders, selected at its discretion, to bid for a share of any hedging proposed by an Obligor
- (E) If the Original Borrower or any Obligor makes any change to any internal hedging policies or procedures it has in place from time to time which could reasonably be expected to have a material impact on the hedging arrangements implemented by the Group as a whole, then it will notify the Facility Agent of the change and will provide reasonable details of the implications of the change.

3.18 Borrowing Base Assets

Each Borrowing Base Asset will at all times be owned by an Obligor (excluding KEO).

3.19 Project Agreements

- (A) No Obligor will agree to any amendment, waiver or termination of a Project Agreement which would have a Material Adverse Effect or approve or vote in favour of any work programme, budget or development plan which would commit an Obligor to expenditure which it would not be able to meet from funds available to it, after taking account of forecast Project Costs and Financing Costs.

- (B) No term or condition of any Finance Document shall prevent any Obligor from complying with its express obligations under any Project Agreement, or require an Obligor to act or omit to act in a manner which would or might reasonably be expected to result in a breach of any provision of a Project Agreement including, but without limitation, KEG's obligations under the EO Participation Agreement.
- (C) In the event that an Obligor has an obligation under a Project Agreement to make a payment in respect of a Project Cost because of the default by another party in paying its share of the relevant Project Cost, then the Obligor shall promptly notify the Facility Agent of the additional payment obligation (including reasonable details of how it arose and any steps being taken by the parties in relation to the relevant default and such other additional information as the Facility Agent may reasonably request). In such an event, the Facility Agent will have the right (acting reasonably) to request a sources and uses test to be performed.

3.20 Eligible oftakers

An Obligor will enter into agreements for the sale of its Entitlement with oftakers whom that Obligor determines, acting reasonably and in accordance with a prudent marketing policy which it shall have in place from time to time, have the financial capability and technical capacity to perform their obligations in accordance with the relevant terms and taking account of the nature and size of the transaction. Financial capability may be measured by applying suitable ratings tests, through credit support structures (including specific payment terms, guarantees, security and letters of credit), the identity of the oftaker (such as their market experience and reputation and whether they are part of a larger corporate group), course of dealings, or such other reasonable criteria as that Obligor may apply from time to time. In assessing technical capacity, an Obligor shall have regard to the experience of the oftaker, whether the oftaker is sufficiently well equipped technically and managerially to perform its obligations, and the availability of third party services and support.

3.21 Tax affairs

Each Obligor must promptly file all tax returns required by law within the requisite time limits except to the extent contested in good faith and subject to adequate reserve or provision.

3.22 Permitted Acquisitions

No Obligor may, without the prior written consent of the Facility Agent (acting on the instructions of the Majority Lenders (acting reasonably)), make any acquisition of, or investment in, any assets, rights or property (but excluding for the avoidance of doubt any payment of Financing Costs or Project Costs) which is not a Permitted Acquisition.

3.23 Distributions

- (A) Except for a Scheduled KEL Debt Payment Distribution (in relation to which clause 28.24 (*Scheduled KEL Debt Payment Distributions*) below, shall apply), each Obligor (but excluding KEO for these purposes, which may make, declare or pay a distribution of any kind at any time without restriction from any account which is not a Project Account (but subject to clause 28.8 (*Disposals*) and any projected distribution by KEO being included in any applicable Liquidity Statement)) may make, declare or pay a distribution (including any payment under any subordinated loan agreement falling within the terms of subparagraph (C) of the definition of Permitted Financial Indebtedness and including any funding pursuant to, or payment

under, any Intercompany Loan Agreement) (a “**Shareholder Distribution**”), subject to:

- (i) there being no Default or Event of Default outstanding and no Default or Event of Default would be caused by such Shareholder Distribution;
 - (ii) the latest Sources and Uses Statement not indicating a projected shortfall in funding to meet projected Project Costs (ignoring for these purposes any Scheduled KEL Debt Payments);
 - (iii) a limit on the amount of any Shareholder Distribution (which is not otherwise restricted by the terms of this clause 28.23) in accordance with paragraph (C) below.
 - (iv) no Shareholder Distribution being permitted during a BBA Cure Period; and
 - (v) such Shareholder Distribution being made, declared, or paid in compliance with the Cash Waterfall.
- (B) Any Shareholder Distribution permitted to be paid hereunder may be paid directly to the recipient or deposited into the Distributions Reserve Account, in accordance with the terms of this Agreement.
- (C) In the event that the latest Sources and Uses Statement indicates a projected shortfall (including for these purposes, any Scheduled KEL Debt Payments) the maximum Shareholder Distribution that shall be permitted at that time shall be an amount equal to:
- (i) the aggregate of all sources which are set out in column A of the relevant Sources and Uses Statement; minus
 - (ii) the aggregate of all uses which are set out in column B of the relevant Sources and Uses Statement (ignoring for these purposes any Scheduled KEL Debt Payments).

3.24 Scheduled KEL Debt Payment Distributions

- (A) Each Obligor (but excluding KEO for these purposes) may make, declare or pay a distribution, or make any payment under an intercompany loan which constitutes Permitted Financial Indebtedness, in relation to a Scheduled KEL Debt Payment (a “**Scheduled KEL Debt Payment Distribution**”), to the extent that such payment is due and payable, subject to:
- (i) the terms of clause 20.5 (*Control on withdrawals following Default*) of this Agreement; and
 - (ii) no Junior Payment Stop Event (as defined in the KEFI Intercreditor Agreement) having occurred and being continuing in accordance with the terms of clause 24.8(D) (*Sources and Uses*) of this Agreement and Clause 4.4 (*Issue of Junior Payment Stop Notice*) of the KEFI Intercreditor Agreement;
 - (iii) no Scheduled KEL Debt Payment Distribution being permitted during a BBA Cure Period; and

(iv) such Scheduled KEL Debt Payment Distribution being made, declared, or paid in compliance with the Cash Waterfall.

- (B) Any distribution or payment permitted to be paid hereunder may be paid directly to the recipient or deposited into the Distributions Reserve Account, in accordance with the terms of this Agreement.
- (C) Nothing in this clause 28.24 shall block the payment of Scheduled KEL Debt Payments or the making of a Scheduled KEL Debt Payment which is paid or made from amounts standing to the credit of the Distributions Reserve Account.

3.25 Constitutional documents

Each Obligor will not agree to any amendment to any of its constitutional documents in a manner that could adversely affect the interests of the Finance Parties.

3.26 Further assurance and turn over

- (A) Subject to clause 28.28 (*Due execution of security assignments*) and clause 28.31 (*Security Documents: consents, ranking and perfection*) each of the Obligors shall, at its own expense, promptly do all things, take all such action and execute all such other documents and instruments as may be requested by the Facility Agent from time to time and to the extent they are reasonably required or necessary for the purpose of giving effect to the provisions of the Finance Documents and the Project Agreements and for the purpose of perfecting and protecting the Lenders' rights with respect to the Security Interests which are required to be created or perfected by the Finance Documents when required thereunder.

- (B) KEO will account to the Facility Agent if and to the extent it receives any proceeds in breach of the terms of any Finance Document from:

(i) any asset which is the subject of a Security Document

(ii) any Borrowing Base Asset;

(iii) any Project Account (excluding amounts received from any other Obligor pursuant to clause 28.23 (*Distributions*));

(iv) any other Obligor which would otherwise be placed into an Offshore Proceeds Account pursuant to clause 21.1 (*Payments in*) (whether by way of cash, loan or otherwise),

and shall hold any such moneys to the account of, and on trust for, the Finance Parties.

- (C) If at any time KEO is in receipt of proceeds as described in paragraph (B) above it shall:

(i) within five Business Days notify details of the receipt or recovery to the Facility Agent; and

(ii) within five Business Days of demand by the Facility Agent, pay an amount equal to such receipt or recovery to the Facility Agent.

3.27 Delivery of certain documents

The Original Borrower shall use its reasonable endeavours to procure the delivery of the final report from the Technical Consultant to the Facility Agent in form and substance satisfactory to it no later than 15 Business Days from the date of this Agreement.

3.28 Due execution of security assignments

- (A) The Security Agent shall have safe custody and control of the Assignments (which term shall, for the avoidance of doubt for the purposes of this clause 28.28 (*Due execution of security assignments*), be deemed not to include the KEG Assignment of Reinsurance Rights until its execution by the relevant insurers, it being agreed that the Obligor shall take all such steps as may be reasonable (taking into account all of the circumstances at the time and the steps taken previously by that Obligor) to procure its execution by the relevant insurers). The Security Agent shall execute and date such documents for and on behalf of the Finance Parties in any of the following circumstances:
- (i) if an Event of Default has occurred and is continuing and the Majority Senior Lenders have instructed the Security Agent to execute and date the Assignments for and on behalf of the Finance Parties; or
 - (ii) if instructed to do so at any time by the relevant Obligor.
- (B) Each party to this Agreement irrevocably authorises the Security Agent to execute the Assignments for and on behalf of the Finance Parties and to date the Assignments when it is required to do so under paragraph (A) above. The Assignments shall be of no force or effect until they are duly executed by the Security Agent and dated for and on behalf of the Finance Parties in accordance with this clause 28.28 (*Due execution of security assignments*).
- (C) In the event that the Security Agent signs and dates the Assignments in accordance with this clause 28.28 (*Due execution of security assignments*), then the relevant Borrower (or a Borrower on a Guarantor's behalf) shall (and the Facility Agent may) without the requirement for any further authorisation from any Obligor make a Utilisation under the Facility to meet the payment of any stamp duty which is payable as a consequence of the Assignments being signed and dated. The relevant Obligor shall (and the Facility Agent shall if it effects the Utilisation under the Facility) apply the relevant funds promptly in payment of the relevant stamp duty and shall ensure that the Assignments are stamped and registered as soon as practicable (and in any event within any time period required by law). The relevant Obligor (or the Facility Agent, as the case may be) shall in each case notify the Security Agent and each Finance Party upon making the payment of any stamp duty and the stamping and registration of the Assignments.

3.29 Stamp duty and other impost waiver

Each Obligor shall use its reasonable endeavours to seek a waiver or exemption from any stamp duty, documentary taxes or any other similar tax, charge or impost which may be payable upon the execution of any of the Assignments, or to obtain confirmation that no such duty, taxes, charges or impost would be payable upon execution. In the event that such waiver, exemption or confirmation is successfully obtained in relation to any Assignment, the Original Borrower shall promptly instruct the Security Agent to execute and

date such Assignment(s) for and on behalf of the Finance Parties in accordance with clause 28.28(A)(ii) above.

3.30 Lenders' custody of documents

- (A) Each Lender undertakes that it shall not deliver any Finance Document or any other document or agreement into a country that would result in such Finance Document, other document or agreement (or any party to it) becoming subject to (or liable for payment of) any stamp duty, documentary taxes or any other similar tax, charge or impost (or impose any obligation upon a member of the Group or KEH to reimburse any other person for such a payment).
- (B) Paragraph (A) above shall not apply to a Lender at any time at which such Lender (i) has a right to take Enforcement Action; (ii) has the written consent of the Original Borrower; or (iii) is required to deliver such Finance Document or other document or agreement by any order or a court or regulatory authority or other legal or regulatory requirement.

3.31 Security Documents: consents, ranking and perfection

- (A) No Obligor shall be required to grant any assignment of rights under any contract, or Security Interest over any asset (including contracts and rights), where the consent of any Government or any governmental body, regulatory body or state-owned or controlled company or enterprise is required for the granting of such assignment or Security Interest.
- (B) With the exception of those consents referred to in paragraph (A) above, each Obligor shall use reasonable endeavours to seek any other third party consents required in relation to any relevant Security Document, provided that the obtaining of such consent shall not be a condition precedent to any Utilisation of the Facility and provided that there shall be no fixed date by which such consent must be obtained.
- (C) Each Obligor shall use reasonable endeavours to obtain acknowledgments to any notices of assignment served in relation to any relevant Security Document, provided that receipt of such acknowledgments shall not be a condition precedent to any Utilisation of the Facility.
- (D) Where required by the terms of any agreement which is binding upon any Obligor, any Security Interest granted in favour of the Lenders shall be subordinated to the interests of the parties under such agreement.
- (E) With the exception of the Charges over Shares, perfection of any Security Interest shall not be a condition precedent to first Utilisation.

3.32 IPO Reorganisation

The Finance Parties agree that, notwithstanding the terms of any Finance Document which, but for this clause, may have prevented an Obligor from participating in and/or implementing an IPO Reorganisation, each Obligor may participate in and implement such an IPO Reorganisation and no term or condition of any Finance Document which would, but for this clause, prevent an IPO Reorganisation, shall prevent such an IPO Reorganisation or require KEH, or any Obligor or any of their respective Subsidiaries to act, or omit to act, in a manner which would or might reasonably be expected to prevent, impede, restrict or result in the

obstruction of, or delay to, an IPO Reorganisation, provided that: (i) such IPO Reorganisation is for the purposes of an IPO substantially as described in the Form S-1 filed by Kosmos Energy Ltd. with the United States Securities and Exchange Commission on 14 January 2011 (including any updated filing in relation to such Form S-1); and (ii) the interests of the Finance Parties are not materially prejudiced. Without limitation (and without prejudice to clause 28.8(C), the foregoing shall require the Finance Parties to release and discharge the Security Interests created pursuant to any Security Document, provided that immediately upon such release substantially equivalent security is granted in favour of the Finance Parties on substantially similar terms and such that the position of the Finance Parties is not materially prejudiced. Nothing in this clause 28.32 shall prevent any Obligor from acting or omitting to act in any way (including implementing an IPO Reorganisation) which would otherwise be permitted by the terms of the Finance Documents.

3.33 Ghanaian security

- (A) The Original Borrower shall use reasonable endeavours to obtain a legal opinion from Ghanaian counsel confirming that the consent obtained on 18 December 2010 from the Ghana National Petroleum Corporation and the Ministry of Energy of Ghana, which was required in relation to the grant of certain Security Interests (the "**Ghana Security Interests**") contemplated by the Security Documents (as defined in the Existing Finance Documents), would extend to the grant of such Security Interests in favour of the Finance Parties in the context of the Finance Documents.
- (B) If such a legal opinion is obtained, the Original Borrower shall then promptly enter into security documents in the required form in order to grant to the Finance Parties equivalent Security Interests to the Ghana Security Interests in the context of the Finance Documents. Such security documents will be held by the Security Agent in accordance with clause 28.28 (*Due execution of security assignments*) above.

3.34 Application of the Loans/Use of the Letters of Credit

- (A) No Borrower shall (and shall ensure that no other member of the KEL Group shall) permit or authorise any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of any Loan or other transaction(s) (including any Letter of Credit) contemplated by this Agreement to fund or facilitate any trade, business or other activities:
- (i) relating to, involving or for the benefit of any Restricted Party; and/or
- (ii) in any other manner that would result in any member of the KEL Group, or a Finance Party or its US Affiliate being in breach of any Sanctions or becoming a Restricted Party.
- (B) No Obligor shall (and shall ensure that no other member of the KEL Group shall) fund all or part of any payment under the Facility out of proceeds derived, directly or indirectly, from any trade, business or other activities with a Restricted Party or in any other manner that would reasonably be expected to result in any member of the KEL Group, or a Finance Party or its US Affiliate being in breach of any Sanctions (if and to the extent applicable to any of them) or becoming a Restricted Party.
- (C) Each Obligor shall (and shall procure that each member of the KEL Group shall) comply with Sanctions and maintain in effect and enforce policies and procedures designed to ensure such compliance.

3.35 HY Notes Maturity Date

- (A) The Original Borrower shall, on or before the date falling twelve months prior to the HY Notes Maturity Date (the "**relevant date**"):
 - (i) extend the maturity date for the HY Notes to no earlier than 30 June 2025; or
 - (ii) produce (a) a new Forecast (a) a new Sources and Uses Statement and (a) a new Liquidity Statement, in accordance with the Forecasting Procedures as at the relevant date which includes the full repayment of the HY Notes on the HY Notes Maturity Date and which shows that there are adequate funds available to the Group to meet all costs falling due and payable by the Group on or before the HY Notes Maturity Date, including the repayment of the HY Notes.
- (B) In the event that the Original Borrower cannot satisfy the requirements of either paragraph (A)(i) or (A)(ii) above, the Parties agree that the Final Maturity Date shall be the date falling six months prior to the HY Notes Maturity Date and the Availability Period shall expire on the date falling nine months prior to the HY Notes Maturity Date.
- (C) Other than with respect to those HY Notes maturing on the HY Notes Maturity Date, the Original Borrower shall procure that the maturity date of any HY Notes shall not fall on or before the Final Repayment Date.

3.36 HY Noteholder Trustee accession

The Original Borrower shall procure that no HY Notes shall be issued unless and until any HY Noteholder Trustee (as defined in the KEFI Intercreditor Agreement) has acceded to the KEFI Intercreditor Agreement, or otherwise with the consent of each Lender.

3.37 Intercompany Loan Agreement terms

- (A) The Borrowers shall make demands for repayment of any amounts outstanding under any Intercompany Loan Agreement so as to ensure that the Borrowers will have sufficient funds available to meet all payment obligations under this Agreement as and when they fall due for payment.
- (B) Each of KEEG, KES, KEM, KEISL and KEG shall use all amounts borrowed by it under an Intercompany Loan Agreement for the payment of Project Costs and for any other purpose set out in Clause 5 (*Purpose*).
- (C) On or before the date on which a Borrower makes an Intercompany Loan to an Obligor, that Borrower shall:
 - (i) to the extent that such Security has not been effected under the terms of an existing Security Document, enter into a Security Document (in form and substance satisfactory to the Security Agent) for the purposes of creating Security over the Intercompany Loan provided by it in favour of the Security Agent;
 - (ii) deliver to the Security Agent, or procure the delivery to the Security Agent of, any legal opinion or other document that the Security Agent may

reasonably require in connection with the entry into such Security Document; and

(iii) without prejudice to Clause 21.22 (*Security*) promptly obtain all such Authorisations as may be necessary in order for such Security to be granted.

3.38 KEEG

- (A) KEEG shall not, and KEEG shall procure that EG JV and EG JV HoldCo shall not, borrow, make or permit to be made any Priority Loan (as defined in the KEEG/Trident Shareholders' Agreement), unless those payments are reflected in the then current Forecast.
- (B) On or before the date falling 90 days after the Effective Date, KEEG shall provide evidence to the Facility Agent (in form and substance satisfactory to the Facility Agent (acting reasonably)) that each Project Account required to be maintained by KEEG has been opened with an Account Bank.

3.39 Anti-corruption law

- (A) No Borrower shall (and the Original Borrower shall ensure that no other member of the KEL Group will) directly or indirectly use the proceeds of the Facility for any purpose which would breach, or cause a Finance Party to breach, the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation applicable to it or the Finance Parties.
- (B) Each Obligor shall (and the Original Borrower shall ensure that each other member of the KEL Group will):
 - (i) conduct its businesses in compliance with applicable anti-corruption and anti-money laundering laws and regulations; and
 - (ii) maintains and enforces policies and procedures designed to promote and achieve compliance with such laws and regulations.
- (C) Each Obligor confirms no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving that Obligor with respect to anti-corruption and anti-money laundering laws is pending and, to the best of that Obligor's knowledge, no such actions, suits or proceedings are threatened or contemplated.

3.40 People with Significant Control regime

Each Obligor shall (and the Original Borrower shall ensure that each other member of the KEL Group will):

- (A) within the relevant timeframe, comply with any notice it receives pursuant to Part 21A of the Companies Act 2006 from any company incorporated in the United Kingdom whose shares are the subject of a Security Interest created or expressed to be created in favour of the Security Agent pursuant to the Security Documents; and
- (B) promptly provide the Security Agent with a copy of that notice.

3.41 Register of members

Each Obligor that has entered into a Security Document that creates, or purports to create, a Security Interest over any shares shall (and the Original Borrower shall ensure that each other member of the KEL Group will) ensure that no company whose shares are subject to such Security Interest and which is incorporated in the United Kingdom keeps information in respect of its members on the central register kept by the Registrar at Companies House.

4. Events of Default

Each of the events or circumstances set out in this clause is an Event of Default (save for clause 29.17 (*Acceleration – all Lenders*) unless otherwise stated.

4.1 Non-payment

An Obligor does not pay any amount payable by it to any Finance Party (or to the Facility Agent for its own account) under the Finance Documents in the manner and on the date required under the Finance Documents within five Business Days of its due date.

4.2 Breach of financial covenant

The Original Borrower does not comply with the provisions of the Financial Covenants, provided that where the LLCR, FLCR, ICR or DCR has been breached, the Original Borrower shall have 45 days within which to remedy any breach of the relevant financial covenant by means of a prepayment and/or a cancellation of the Facility where any prepayment is funded by the provision of Additional Debt subordinated on terms acceptable to the Majority Lenders (acting reasonably), or by the contribution of equity to the capital of a Borrower or by taking such other remedial action as may be approved by the Majority Lenders provided always that the Original Borrower shall be entitled to remedy any such breach not more than twice in total and not more than once in any 12 month period.

4.3 Breach of other obligations

An Obligor does not comply with any other provision of the Finance Documents (other than in respect of non-payment or breach of a Financial Covenant), unless the noncompliance is:

- (A) capable of remedy; and
- (B) remedied within 30 days of the earlier of the Facility Agent giving notice or the Obligor becoming aware of the non-compliance.

4.4 Misrepresentation

Any representation or statement made or deemed to be made by an Obligor in the Finance Documents is or proves to have been incorrect or misleading in any material respect when made or deemed to be made (or, in the case of a representation or statement that contains a materiality concept, is or proves to have been incorrect or misleading in any respect when made or deemed to be made), unless the misrepresentation is:

- (A) capable of remedy; and
- (B) remedied within 30 days of the earlier of the Facility Agent giving notice or the relevant Obligor becoming aware of the misrepresentation,

provided that paragraphs (A) and (B) will not apply to any representation made or deemed to be made by an Obligor under clause 26.18 (*Sanctions*) and clause 26.19 (*Anti-corruption law*).

4.5 Cross-default

- (A) Except in relation to paragraph (C) below, any Financial Indebtedness of any Obligor is not paid when due nor within any applicable grace period.
- (B) Except in relation to paragraph (C) below, any Financial Indebtedness of any Obligor is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described) and such amount is not paid when due.
- (C) A Junior Event of Default (as defined in the KEFI Intercreditor Agreement) has occurred and the Security Agent has not, no later than 30 days after such occurrence, received a notice from the Security and Intercreditor Agent (as defined in the KEFI Intercreditor Agreement) stating that such Junior Event of Default is no longer continuing.
- (D) Notwithstanding paragraphs (A) and (B) above, no Event of Default will occur under this clause if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness is less than USD 150 million (or its equivalent in any other currency or currencies) or if the relevant event or default has been waived, or if such event or default is caused by a Disruption Event, provided that, in the case of a Disruption Event the requisite payment is made within five Business Days.

4.6 Insolvency

Any of the following occurs in respect of an Obligor:

- (A) it is, or is deemed for the purposes of any law to be unable to, or admits its inability to, pay its debts as they fall due or is or becomes insolvent or a moratorium is declared in relation to its indebtedness generally; or
- (B) it stops or suspends or threatens to suspend or announces an intention to stop or suspend making payment of all or any class of its debts as they fall due in default of the obligation to make the relevant payment.

4.7 Insolvency proceedings

- (A) Except as provided in paragraph (B) below, any of the following occurs in respect of an Obligor:
 - (i) a written resolution is passed or a resolution is passed at a meeting of its shareholders, directors or other officers to petition for or to file documents with a court or any registrar for its winding-up, administration or dissolution;
 - (ii) any person presents a petition, or files documents with a court or any registrar for its winding-up, administration or dissolution;
 - (iii) an order for its winding-up, administration or dissolution is made;

(iv) any liquidator, provisional liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it or any material part of its assets;

(v) a moratorium is declared in relation to the indebtedness of an Obligor;

(vi) its shareholders, directors or other officers request the appointment of, or give notice of their intention to appoint a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, provisional liquidator, receiver, administrative receiver, administrator or similar officer;

(vii) any composition, compromise, assignment or arrangement is made with any of its creditors; or

(viii) any other analogous step or procedure is taken in any jurisdiction.

(B) Paragraph (A) does not apply to:

(i) any step or procedure which is part of a re-organisation of an Obligor on a solvent basis with the consent of the Majority Lenders (acting reasonably); or

(ii) an IPO Reorganisation pursuant to clause 28.32 (*IPO Reorganisation*); or

(iii) in the case of sub-paragraph (ii) or (iv) (or any step or procedure under sub-paragraph (vi) that is analogous to sub-paragraph (ii) or (iv)), if the relevant step, petition or filing is made by a person other than an Obligor, shareholder or their respective officers or directors and the relevant Obligor is taking steps in good faith and with due diligence for such proceedings or action to be stayed, discontinued, revoked or set aside and the same is stayed, discontinued, revoked or set aside within a period of 60 days; or

(iv) any enforcement action that applies to assets having an aggregate value of less than USD 150 million (or its equivalent in other currencies).

4.8 Creditors' process

Any attachment, sequestration, distress, execution or analogous event affects any asset(s) of an Obligor, having an aggregate value of at least USD 50 million (or its equivalent in other currencies), and is not discharged within 45 days.

4.9 Unlawfulness and Invalidity of the Finance Documents and Project Agreements

If:

(A) all or any part of a Finance Document is not, or ceases to be, a legal, valid, binding and enforceable obligation of an Obligor;

(B) following its execution, all or any part of a Project Agreement is not or ceases to be, a legal, valid, binding and enforceable obligation of an Obligor in circumstances which would have a Material Adverse Effect; or

- (C) following its execution, all or any part of a Project Agreement is suspended, terminated or revoked in circumstances which would have a Material Adverse Effect,

and:

- (i) the Obligors fail, within 60 days (or, in the case of a Finance Document, 30 days) of becoming aware of the matter, to procure the execution of a substitute agreement or agreements on substantially the same terms and with a commercially qualified party or parties acceptable to the Majority Lenders (acting reasonably); or
- (ii) the matter is not otherwise remedied within 60 days (or, in the case of a Finance Document, 30 days) of an Obligor becoming aware of the matter.

4.10 Cessation of Business

An Obligor ceases, or threatens to cease, all or a substantial part of its business (as carried on the date of this Agreement).

4.11 Abandonment

- (A) A Borrowing Base Asset is abandoned (other than as a consequence of unsuccessful exploration activities) in whole or in part and where such abandonment has or could reasonably be expected to have a Material Adverse Effect.
- (B) Without limiting the above paragraph, an Obligor will be deemed to have abandoned a Borrowing Base Asset if, after the Completion in respect of that Borrowing Base Asset, no petroleum is produced at a commercial level for a continuous period of 180 days and all necessary steps are not being diligently pursued with a view to recommencing production as soon as practically possible.

4.12 Expropriation

Any Government (or any other official central or local government body with due authority) states officially that it will take any step with a view to the seizure, expropriation, nationalisation, requisition or compulsory acquisition of any member of the Group or all or a material part of the Borrowing Base Assets or all or a material part of the rights of any member of the Group in relation thereto and such act has, or could reasonably be expected to have, a Material Adverse Effect.

4.13 Repudiation of Finance Documents

Any Finance Document is repudiated or rescinded by an Obligor.

4.14 Material Litigation

Any material litigation, arbitration or administrative proceedings are commenced, threatened or pending against any Obligor which could reasonably be expected to be adversely determined against it and which, if so determined, has, or would have, a Material Adverse Effect.

4.15 Breach or Termination of Project Agreements

Any party to a Project Agreement, following its execution, defaults under that Project Agreement or terminates a Project Agreement in circumstances which has, or would have, a Material Adverse Effect.

4.16 Material Adverse Effect

Any event which, in the opinion of the Majority Lenders (acting reasonably), has a Material Adverse Effect but only following consultation between the Facility Agent and the Original Borrower over a period of not less than 30 days with a view to agreeing steps of mitigation (each Party acting reasonably with a view to appropriate remedial action being taken).

4.17 Acceleration – all Lenders

Subject to the terms of the Intercreditor Agreement, on and at any time after the occurrence of an Event of Default which is continuing, the Facility Agent may, and shall if so directed by the Majority Lenders, by notice to the Original Borrower:

- (A) cancel the Total Commitments whereupon they shall immediately be cancelled;
- (B) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (C) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders; and/or
- (D) exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under any of the Finance Documents.

PART 11 CHANGES TO LENDERS AND OBLIGORS AND ROLES

1. Changes to the Lenders

1.1 Assignments and transfers and changes in Facility Office by the Lenders

Subject to this clause, a Lender (the “Existing Lender”) may:

- (A) (i) assign any of its rights; or

(i) transfer by novation any of its rights and obligations,

to an Affiliate, another Lender, an Affiliate of another Lender or a Qualifying Bank, another bank or financial institution or to a trust or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets or such other institution as the Original Borrower may agree in writing (the “New Lender”), or

- (B) change its Facility Office.

1.2 Conditions of assignment and transfer or change in Facility Office

- (A) The consent of the Original Borrower is required for an assignment or transfer by an Existing Lender, unless the assignment or transfer is (i) to, or in favour of, another Lender, an Affiliate of a Lender or a Qualifying Bank; or (ii) made at a time when an Event of Default is continuing.
- (B) The consent of the Original Borrower is required for a change in Facility Office to a different jurisdiction (other than, in the case of Bank of America Merrill Lynch International Limited, a change in its Facility Office to a Facility Office located in the Republic of Ireland). In the case of a change of Facility Office for which the Original Borrower's consent is not required, the Lender must notify the Original Borrower of the new Facility Office promptly on the change taking effect.
- (C) The consent of the Original Borrower to an assignment or transfer or change in Facility Office must not be unreasonably withheld or delayed (and will be deemed to have been given five Business Days after the relevant Lender has requested it unless consent is expressly refused by the Original Borrower within that time).
- (D) In the event a Letter of Credit is outstanding, transfer or assignment of a Commitment shall require the prior consent of each LC Issuing Bank.
- (E) An assignment will only be effective on:
- (i) receipt by the Facility Agent of written confirmation from the New Lender (in form and substance satisfactory to the Facility Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender;
 - (ii) the New Lender entering into the documentation required for it to accede as a party to the relevant Finance Documents (including, but not limited to, the Intercreditor Agreement); and
 - (iii) performance by the Facility Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender (such checks not to be unreasonably held or delayed), the completion of which the Facility Agent shall promptly notify to the Existing Lender and the New Lender.
- (F) A transfer will only be effective if the procedure set out in clause 30.5 (*Procedure for transfer*) is complied with.
- (G) If:
- (i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
 - (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under clause 15 (*Tax Gross Up and Indemnities*) or clause 16 (*Increased Costs*),
- then the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

- (H) Each New Lender, by executing the relevant Transfer Certificate confirms, for the avoidance of doubt, that the Facility Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with the Finance Documents on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement.
- (I) Any assignment or transfer of part of the Existing Lender's rights and/or obligations must be a minimum of USD 5 million and must not result in the Existing Lender retaining less than USD 5 million.
- (J) The Facility Agent shall only be obliged to execute an assignment agreement delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the assignment to such New Lender.

1.3 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Facility Agent (for its own account) a fee of USD 2,500.

1.4 Limitation of responsibility of Existing Lenders

- (A) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
 - (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of any Obligor;
 - (iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,
 and any representations or warranties implied by law are excluded.
- (B) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
 - (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in the Facility and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (C) Nothing in any Finance Document obliges an Existing Lender to:

- (i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this clause; or
- (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

1.5 Procedure for transfer

- (A) Subject to the conditions set out in clause 30.2 (*Conditions of assignment and transfer or change in Facility Office*) a transfer is effected in accordance with paragraph (C) below when the Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate on behalf of the other Finance Parties and the Obligors as well as itself, and notify the Original Borrower of the date of the transfer and name of the New Lender. Each Finance Party and each Obligor irrevocably authorises the Facility Agent to sign such a Transfer Certificate on its behalf.
- (B) The Facility Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (C) Subject to clause 30.9 (*Pro rata interest settlement*), on the Transfer Date:
 - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents, each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the "**Discharged Rights and Obligations**");
 - (ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;
 - (iii) the Facility Agent, each Mandated Lead Arranger, the New Lender and the other Finance Parties shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent such Finance Parties and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
 - (iv) the New Lender shall become a Party as a "**Lender**".

1.6 Copy of Transfer Certificate to the Original Borrower

The Facility Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Original Borrower a copy of that Transfer Certificate.

1.7 Disclosure of information

(A) Any Finance Party, its officers and agents may disclose to any of its Affiliates (including its head office, representative and branch offices in any jurisdiction) (each a "**Permitted Party**") and:

(i) to any person (or through) whom that Finance Party assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement (or any adviser on a need to know basis advising such person on any of the foregoing);

(ii) to a professional adviser or a service provider of the Permitted Parties on a need to know basis advising such person on the rights and obligations under the Finance Documents or to an auditor of any Permitted Party on a need to know basis;

(iii) with (or through) whom that Finance Party enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or any Obligor (or any adviser of any of the foregoing on a need to know basis advising such person on the rights and obligations under the Finance Documents);

(iv) to any person appointed by that Finance Party to provide administration or settlement services in respect of one or more of the Finance Documents (including in relation to the trading of participations in respect of the Finance Documents) only on a need to know basis;

(v) to any rating agency (provided only general terms are disclosed in relation to the rating of a portfolio of assets), insurer or insurance broker, a direct or indirect provider of credit protection in respect of the Finance Party's participation in the Facility only on a need to know basis;

(vi) to whom and to the extent that information is required to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(vii) subject to paragraph (B) below, to whom and to the extent that information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(viii) to any other party to this Agreement; or

(ix) to any person with the consent of the Original Borrower,

any information about any Obligor, the Group and the Finance Documents as that Finance Party shall consider appropriate if, in relation to paragraphs (i) to (iv) and (ix) above, the person to whom the information is to be given has entered into a Confidentiality Undertaking (unless such person is already subject to professional

confidentiality requirements which are no less stringent than those which are set out in a Confidentiality Undertaking) and provided that it shall itself ensure that all such information is kept confidential and is protected with security measures and a degree of care that would apply to its own confidential information.

- (B) If a Finance Party is required to make any disclosure in accordance with paragraph (A)(vii) above, it shall promptly notify the Original Borrower upon becoming aware of that requirement, save that there shall be no requirement to notify (1) where prohibited under law or regulation, (2) where prohibited under the applicable rules relating to the relevant procedure or situation described in paragraph (A)(vii), or (3) where notification would prejudice the position of the Finance Party under the relevant procedure or situation described in paragraph (A)(vii).

1.8 Security over Lenders' rights

In addition to the other rights provided to Lenders under this clause 30, each Lender may without consulting with or obtaining consent from any Obligor, at any time charge, assign or otherwise create any Security Interest in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

- (A) any charge, assignment or other Security Interest to secure obligations to a federal reserve or central bank; and
- (B) in the case of any Lender which is a fund, any charge, assignment or other Security Interest granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities, except that no such charge, assignment or Security Interest shall:
- (i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security Interest for the Lender as a party to any of the Finance Documents; or
- (ii) require any payments to be made by an Obligor other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

1.9 Pro rata interest settlement

- (A) If the Facility Agent has notified the Lenders that it is able to distribute interest payments on a "pro rata basis" to Existing Lenders and New Lenders then (in respect of any transfer pursuant to clause 30.5 (*Procedure for transfer*) the Transfer Date of which is after the date of such notification and is not on the last day of an Interest Period):
- (i) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date ("**Accrued Amounts**") and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period (or, if the Interest Period is longer than six

Months, on the next of the dates which falls at six Monthly intervals after the first day of that Interest Period); and

- (ii) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts, so that, for the avoidance of doubt:
 - (a) when the Accrued Amounts become payable, those Accrued Amounts will be payable to the Existing Lender; and
 - (b) the amount payable to the New Lender on that date will be the amount which would, but for the application of this clause 30.9 (*Pro rata interest settlement*), have been payable to it on that date, but after deduction of the Accrued Amounts.
- (B) In this clause 30.9 (*Pro rata interest settlement*) references to "Interest Period" shall be construed to include a reference to any other period for accrual of fees.
- (C) An Existing Lender which retains the right to the Accrued Amounts pursuant to this clause 30.9 (*Pro rata interest settlement*) but which does not have a Commitment shall be deemed not to be a Lender for the purposes of ascertaining whether the agreement of any specified group of Lenders has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents.

2. Changes to the Obligors

2.1 Assignments and transfers by Obligors

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

2.2 Additional Borrowers

- (A) Subject to compliance with the provisions of paragraphs (C) and (D) of clause 24.12 (*"Know your customer" and "customer due diligence" requirements*), the Original Borrower may request that any subsidiary of KEL becomes an Additional Borrower. That subsidiary shall become an Additional Borrower if:
 - (i) the Majority Lenders (or, if that Additional Borrower is incorporated in a jurisdiction in which no other Borrower is incorporated, all the Lenders) approve the addition of that subsidiary;
 - (ii) the Additional Borrower is, or simultaneously becomes, a Guarantor;
 - (iii) the Original Borrower delivers to the Facility Agent a duly completed and executed Accession Letter;
 - (iv) the Original Borrower confirms that no Default is continuing or would occur as a result of that subsidiary becoming an Additional Borrower; and
 - (v) the Facility Agent has received all of the documents and other evidence listed in Part II of Schedule 3 (*Conditions Precedent*) in relation to that Additional Borrower, each in form and substance satisfactory to the Facility Agent.

- (B) The Facility Agent shall notify the Original Borrower and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part II of Schedule 3 (*Conditions Precedent*).
- (C) In the event that an Additional Borrower becomes a party to this Agreement:
- (i) the Original Borrower, on behalf of all Obligors; and
 - (ii) the Facility Agent on behalf of all Finance Parties,
- are hereby authorised to effect all amendments required to be made to the Finance Documents to which they are party to reflect the fact that such Additional Borrower has become a party to the Agreement.

2.3 Resignation of a Borrower

- (A) The Original Borrower may request that any Borrower (other than the Original Borrower) ceases to be a Borrower by delivering to the Facility Agent a Resignation Letter.
- (B) The Facility Agent shall accept a Resignation Letter and notify the Original Borrower and the Lenders of its acceptance if:
- (i) no Default is continuing or would result from the acceptance of the Resignation Letter (and the Original Borrower has confirmed this is the case); and
 - (ii) the relevant Borrower is under no actual or contingent obligations as a Borrower under any Finance Documents,
- whereupon that company shall cease to be a Borrower and shall have no further rights or obligations under the Finance Documents.

2.4 Additional Guarantor

- (A) Subject to compliance with the provisions of paragraphs (C) and (D) of clause 24.12 (*"Know your customer" and "customer due diligence" requirements*), a Borrower may request that any of its subsidiaries becomes an Additional Guarantor. That subsidiary shall become an Additional Guarantor if:
- (i) the relevant Borrower delivers to the Facility Agent an Accession Letter duly completed and executed by that Additional Guarantor and the relevant Borrower; and
 - (ii) the Facility Agent has received all of the documents and other evidence listed in Part II of Schedule 3 (*Conditions Precedent*) in relation to that Additional Guarantor, each in form and substance satisfactory to the Facility Agent.
- (B) The Facility Agent shall notify the Original Borrower and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part II of Schedule 3 (*Conditions Precedent*).

2.5 Repetition of Representations

Delivery of an Accession Letter constitutes confirmation by the relevant subsidiary that the Repeating Representations are true and correct in relation to it as at the date of delivery as if made by reference to the facts and circumstances then existing.

2.6 Unwind of Equatorial Guinea Joint Venture

The joint venture formed pursuant to the KEEG/Trident Shareholders' Agreement may be unwound at the Original Borrower's option and the Finance Parties shall release the Charge over Shares of EG JV Holdco and any Security Interest over the rights of KEEG under the KEEG/Trident Shareholders' Agreement, provided that, immediately upon such release, replacement Security Interests acceptable to the Security Agent (acting reasonably and on the instructions of the Majority Lenders) is granted to the Finance Parties (subject to the principles set out in Clause 28.28 (*Due execution of Security Documents*) and Clause 28.31 (*Security Documents: consents, ranking and perfection*)).

3. Role of the Agents and the Arrangers

3.1 Appointment of the Agents

- (A) Each other Finance Party (other than the relevant Agent) appoints each Agent to act in that capacity under and in connection with the Finance Documents.
- (B) Each other Finance Party authorises each Agent to exercise the rights, powers, authorities and discretions specifically given to that Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

3.2 Duties of the Facility Agent

- (A) The Facility Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Facility Agent for that Party by any other Party.
- (B) Except where a Finance Document specifically provides otherwise, the Facility Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (C) If the Facility Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Finance Parties.
- (D) If the Facility Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than to an Agent or a Mandated Lead Arranger) under this Agreement it shall promptly notify the other Finance Parties.
- (E) The Facility Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

3.3 Role of the Mandated Lead Arrangers

Except as specifically provided in the Finance Documents, no Mandated Lead Arranger has obligations of any kind to any other Party under or in connection with any Finance Document.

3.4 No fiduciary duties

- (A) Except as specifically provided in the Finance Documents, nothing in this Agreement constitutes an Agent or a Mandated Lead Arranger as a trustee or fiduciary of any other person.
- (B) No Agent nor any Mandated Lead Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

3.5 Business with the Group

Each Agent and each Mandated Lead Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

3.6 Rights and discretions of Agents

- (A) Each Agent may rely on:
 - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
 - (ii) any statement made by a director, Authorised Signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (B) Each Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:
 - (i) no Default has occurred (unless it has actual knowledge of a Default arising under clause 29.1 (*Non-payment*));
 - (ii) any right, power, authority or discretion vested in any Party or the Lenders (or any consistent majority of Lenders) has not been exercised; and
 - (iii) any notice or request made by an Obligor (other than a Utilisation Request) is made on behalf of and with the consent and knowledge of all the Obligors.
- (C) Each Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (D) Each Agent may act in relation to the Finance Documents through its personnel and agents.
- (E) Each Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (F) Notwithstanding any other provision of any Finance Document to the contrary, no Agent nor any Mandated Lead Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

3.7 Lenders' instructions

- (A) Unless a contrary indication appears in a Finance Document, each Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance

with any instructions given to it by the Lenders in accordance with this Agreement and the Intercreditor Agreement (or, if so instructed, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with such instructions.

- (B) Each Agent may refrain from acting in accordance with instructions given to it by the Lenders in accordance with this Agreement and the Intercreditor Agreement until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.
- (C) In the absence of instructions in accordance with this Agreement and the Intercreditor Agreement each Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.
- (D) Neither Agent is authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

3.8 Responsibility for documentation

No Agent nor any Mandated Lead Arranger:

- (A) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by an Agent, a Mandated Lead Arranger, an Obligor or any other person given in or in connection with any Finance Document or the Final Information Memorandum; or
- (B) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document.

3.9 No duty to monitor

No Agent shall be bound to enquire:

- (A) whether or not any Default has occurred;
- (B) as to the performance, default or any breach by any Party of its obligations under any Finance Document; or
- (C) whether any other event specified in any Finance Document has occurred.

3.10 Exclusion of liability

- (A) Without limiting paragraph (B) below (and without prejudice to the provisions of paragraph (E) of clause 34.9 (*Disruption to Payment Systems etc.*)), no Agent shall be liable (including, without limitation, for negligence or any other category of liability whatsoever) for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.

- (B) No Party (other than the relevant Agent) may take any proceedings against any officer, employee or agent of that Agent in respect of any claim it might have against it or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the relevant Agent may rely on this clause.
- (C) An Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by it if that Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by it for that purpose.

3.11 Lenders' indemnity to the Agents

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify each Agent, within three Business Days of demand, against any cost, loss or liability (including, without limitation, in relation to any FATCA-related liability, for negligence or any other category of liability whatsoever) incurred by it (otherwise than by reason of the relevant Agent's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to clause 34.9 (*Disruption to Payment Systems etc.*) notwithstanding the relevant Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the relevant Agent) in acting as an Agent under the Finance Documents (unless the relevant Agent has been reimbursed by an Obligor pursuant to a Finance Document).

3.12 Resignation of an Agent

- (A) An Agent may resign and appoint one of its Affiliates acting through an office in the United Kingdom as successor by giving notice to the other Finance Parties and the Original Borrower.
- (B) Alternatively, an Agent may resign by giving notice to the other Finance Parties and the Original Borrower, in which case the Majority Lenders may appoint a successor Agent.
- (C) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (B) above within 30 days after notice of resignation was given, the relevant Agent may (with the prior written consent of the Original Borrower) appoint a successor Agent (acting through an office in the United Kingdom).
- (D) A retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents. This obligation shall not apply in the event the Agent is required to resign pursuant to paragraph (G) below.
- (E) An Agent's resignation notice shall only take effect upon the appointment of a successor.
- (F) Upon the appointment of a successor, a retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of clause 17.3 (*Indemnity to the Agents*) and this clause 32. Its successor

and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

- (G) After consultation with the Original Borrower, the Majority Lenders may, by notice to an Agent, require it to resign in accordance with paragraph (B) above.
- (H) The Facility Agent shall resign in accordance with paragraph (B) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Facility Agent pursuant to paragraph (C) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Facility Agent under the Finance Documents, either:

(i) the Facility Agent fails to respond to a request under clause 13.5 (*FATCA Information*) and the Original Borrower or a Lender reasonably believes that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

(ii) the information supplied by the Facility Agent pursuant to clause 13.5 (*FATCA Information*) indicates that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or

(iii) the Facility Agent notifies the Original Borrower and the Lenders that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) the Original Borrower or a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Facility Agent were a FATCA Exempt Party, and the Original Borrower or that Lender, by notice to the Facility Agent, requires it to resign.

3.13 Replacement of Administrative Parties

- (A) If:
- (i) in relation to the Facility Agent, the Security Agent or an LC Issuing Bank (or their respective holding companies), clause 29.6 (*Insolvency*) or clause 29.7 (*Insolvency proceedings*) (disregarding paragraph (B) of that clause) applies or has occurred; or
- (ii) if the Facility Agent, the Security Agent or an LC Issuing Bank or any of their Affiliates repudiates its obligations under the Facility or (in its capacity as Lender) becomes a Non-Funding Lender,

The Original Borrower shall be entitled to request that the Majority Lenders appoint within 10 Business Days either a co-Agent or additional LC Issuing Bank or a replacement Agent or replacement LC Issuing Bank from one of their number or (subject to reasonable consultation with the Original Borrower), from outside the Lender group.

- (B) The Facility Agent, the Security Agent or any LC Issuing Bank to which either of the circumstances described in (A)(i) or (A)(ii) above applies (an "**Affected Administrative Party**") shall cease to be entitled to fees in respect of its role upon becoming an Affected Administrative Party.

- (C) Each Affected Administrative Party shall provide all assistance and documentation reasonably required to the Original Borrower and the other Lenders to enable the uninterrupted administration of the Facility. This shall include, where the Affected Administrative Party is the Facility Agent, the provision to the Original Borrower on request and in any event, within five Business Days, of an up to date list of participants in the Facility including names and contact details.

3.14 Confidentiality

- (A) In acting as agent for the Finance Parties, an Agent shall be regarded as acting through its agency division or, in the case of the Technical and Modelling Bank, through the relevant division performing the role which shall be treated as a separate entity from any other of its divisions or departments.
- (B) If information is received by another division or department of an Agent, it may be treated as confidential to that division or department and the relevant Agent shall not be deemed to have notice of it.

3.15 Facility Agent relationship with the Lenders

The Facility Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has received not less than five Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

3.16 Credit appraisal by the Lenders

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to each Agent and each Mandated Lead Arranger that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (A) the financial condition, status and nature of the Guarantor and each member of the Group;
- (B) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (C) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and
- (D) the adequacy, accuracy and/or completeness of the Final Information Memorandum and any other information provided by the Agents, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

3.17 Deductions from amounts payable by Agents

If any Party owes an amount to an Agent under the Finance Documents, the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents, that Party shall be regarded as having received any amounts so deducted.

3.18 Accession to the KEFI Intercreditor Agreement

(A) Each Finance Party and each Obligor agrees that any collateral agent, trustee or other representative of the HY Noteholders may enter into and accede to the KEFI Intercreditor Agreement, the KEL Guarantee and the Charge over Shares in KEH for and on behalf of itself and each HY Noteholder without the requirement for any consent or approvals from the Finance Parties or the Obligors (or any of them). Such accession shall confer upon the HY Noteholders all of the rights and privileges set out in the relevant agreement. The Original Borrower may by five Business Days written notice (the "**Amendment Notice Period**") to the Facility Agent request that such amendments and/or additions be made to the KEFI Intercreditor Agreement as any collateral agent, trustee or other representative of the HY Noteholders (whether appointed at that time or not) may reasonably require (the "**HY Noteholder Trustee Amendments**"). During the Amendment Notice Period, either:

(i) the Security Agent shall enter into any agreement effecting the HY Noteholder Trustee Amendments, on the instructions of the Majority Lenders; or

(ii) the Facility Agent shall notify the Original Borrower in writing of any determination by the Majority Lenders that the HY Noteholder Trustee Amendments would materially and adversely prejudice their interests.

(B) If, on the instructions of the Majority Lenders, the Facility Agent is required to make the notification described in paragraph (A)(ii) above, the Facility Agent shall promptly contact the Original Borrower in writing, setting out in reasonable detail the basis and reasons for that decision and the changes which the Majority Lenders (acting reasonably) would require for the Security Agent to enter into the KEFI Intercreditor Agreement with the HY Noteholder Trustee Amendments incorporated. If such changes are made, then the Security Agent will be deemed to have been instructed by the Majority Lenders promptly to enter into any agreement effecting the HY Noteholder Amendments, together with the changes required by the Majority Lenders.

3.19 Execution of the KEFI Intercreditor Agreement

The Security Agent is irrevocably authorised for and on behalf of each Finance Party and the Original Borrower is irrevocably authorised for and on behalf of each Obligor to enter into the KEFI Intercreditor Agreement in a form as substantially approved by the Majority Lenders and to enter into any agreements amending or adding to the KEFI Intercreditor Agreement when approved pursuant to clause 32.18 (*Accession to the KEFI Intercreditor Agreement*) above, and each Finance Party and each Obligor shall be bound by the terms of each such agreements when executed by the Security Agent and by the Original Borrower respectively, including any terms which impose obligations upon the Finance Parties or the Obligors.

3.20 Amendment of the KEFI Intercreditor Agreement

The Security Agent is irrevocably authorised for and on behalf of each Finance Party and the Original Borrower is irrevocably authorised for and on behalf of each Obligor to enter into any agreement amending the KEFI Intercreditor Agreement for the purpose of effecting any amendment as referred to in clause 32.18 (*Accession to the KEFI Intercreditor Agreement*) above, and each Finance Party and each Obligor shall be bound by the terms of any such amendment.

3.21 Replacement of the Security Agent

- (A) If, KEG receives the relevant consents required from GNPC and the Government of Ghana under the relevant Project Agreements and evidence of such consents is provided to the Facility Agent (in form and substance satisfactory to the Majority Lenders), the Security Agent shall resign in accordance with the process set out in clause 12.1 (*Resignation of the Security Agent*) of the Intercreditor Agreement and the Lenders shall appoint Crédit Agricole Corporate and Investment Bank as successor Security Agent.
- (B) In connection with the resignation of the Security Agent referred to in paragraph (A) above, each of the Obligors shall, and the Original Borrower shall procure that KEH shall, at its own expense, promptly do all things, take all such action and execute all such other documents and instruments as may be reasonably requested by the Facility Agent and to the extent they are reasonably required or necessary for the purpose of giving effect to the provisions of the Finance Documents and the Project Agreements and for the purpose of perfecting and protecting the Lenders' rights with respect to the Security Interests which are required to be created or perfected by the Finance Documents when required thereunder.

4. Consultants

4.1 Reserves Consultant

The Original Borrower and the Finance Parties hereby confirm the appointment of RSC Group, Inc. as Reserves Consultant upon the terms and conditions set out in the Reserves Consultant Appointment Letter and the Reserves Consultant Reliance Letter.

4.2 Terms of appointment of Consultants

Each Party acknowledges that each of the Consultants has been appointed to act as consultant and adviser to the Finance Parties in relation to technical matters relating to the Project within its own sphere of competence. Each Finance Party acknowledges that each of the Consultants (and each replacement Consultant appointed pursuant to clause 33.3 (*Termination and replacement*)) may also act as consultant and adviser to other Parties in relation to the Project. The fees and other terms of those appointments are set out in the appointment letters between the Consultants and the Original Borrower, copies of which have been given to, and consented to by, the Lenders. The Facility Agent may, acting reasonably and consistently with the agreed scope of work for the relevant Consultant, request it to provide advice or services in relation to the Project.

4.3 Termination and replacement

The Facility Agent may, if it has reasonable grounds to do so and (unless an Event of Default has occurred and is continuing) has first consulted with the Original Borrower, at any time terminate the appointment of a Consultant if it considers it necessary or appropriate to do so, and shall promptly give notice of any such termination to the Original Borrower. If the

Facility Agent terminates the appointment of any Consultant it may appoint as a replacement Consultant any person approved (which approval shall include the identity of the replacement, the terms of appointment and approval of the fees and expenses to be payable to that person) for this purpose by the Original Borrower (which approval may not be unreasonably withheld or delayed or required while an Event of Default is continuing). The terms of any such appointment shall be set out in an appointment letter between such replacement Consultant (or additional consultant as appropriate) and the Original Borrower.

PART 12 ADMINISTRATION, COSTS AND EXPENSES

1. Payment Mechanics

1.1 Payments to the Facility Agent

(A) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document (other than any Hedging Agreement), that Obligor or Lender shall make the same available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

(B) Payment shall be made to such account in London (or, as the case may be, Paris or New York) as the Facility Agent specifies.

1.2 Distributions by the Facility Agent

Subject to the terms of the Intercreditor Agreement, each payment received by the Facility Agent under the Finance Documents for another Party shall be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive payment (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Facility Agent by not less than five Business Days' notice with a bank in London (or, as the case may be, Paris or New York).

1.3 Clawback

(A) Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

(B) If the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.

1.4 Partial Payments

If the Facility Agent receives a payment for application against amounts due in respect of any Finance Documents that is insufficient to discharge all the amounts then due and payable by an Obligor under those Finance Documents, the Facility Agent shall apply that payment

towards the obligations of that Obligor under those Finance Documents in accordance with the Cash Waterfall. This clause will override any appropriation made by an Obligor.

1.5 No set-off by Obligors

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

1.6 Business Days

- (A) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (B) During any extension of the due date for payment of any principal or Unpaid Sum under the Finance Documents, interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

1.7 Currency of account

- (A) Subject to paragraphs (B) to (E) below, the base currency is the currency of account and payment for any sum due from an Obligor under any Finance Document and is the US Dollar ("**Base Currency**").
- (B) A repayment of a Utilisation or Unpaid Sum or a part of a Utilisation or Unpaid Sum shall be made in the currency in which that Utilisation or Unpaid Sum is denominated on its due date.
- (C) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (D) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (E) Any amount expressed to be payable in a currency other than the Base Currency shall be paid in that other currency.

1.8 Change of currency

- (A) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
 - (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Facility Agent acting reasonably (after consultation with the Original Borrower); and
 - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Facility Agent (acting reasonably).

- (B) If a change in any currency of a country occurs, the Parties will enter negotiations in good faith with a view to agreeing any amendments which may be necessary to this Agreement to comply with any generally accepted conventions and market practice in the London interbank market and otherwise to reflect the change in currency.

1.9 Disruption to Payment Systems etc.

If either the Facility Agent determines (acting reasonably) that a Disruption Event has occurred or the Facility Agent is notified by the Original Borrower that a Disruption Event has occurred:

- (A) the Facility Agent may, and shall if requested to do so by the Original Borrower, consult with the Original Borrower with a view to agreeing with the Original Borrower such changes to the operation or administration of the Facility (including, without limitation, changes to the timing and mechanics of payments due under the Finance Documents) as the Facility Agent may deem necessary in the circumstances;
- (B) the Facility Agent shall not be obliged to consult with the Original Borrower in relation to any changes mentioned in paragraph (A) above if, in its reasonable opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;
- (C) the Facility Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (A) above but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;
- (D) any such changes agreed upon by the Facility Agent and the Original Borrower shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of clause 42 (*Amendments and Waivers*);
- (E) the Facility Agent shall not be liable for any damages, costs or losses whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this clause; and
- (F) the Facility Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (D) above.

2. Set-Off

Subject to the terms of the Intercreditor Agreement and without prejudice to the rights of the Finance Parties at law, at any time after an Event of Default has occurred and which is continuing, a Finance Party (other than a Non-Funding Lender) may, on giving notice to the relevant Obligor, set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

3. Costs and Expenses

3.1 Transaction expenses

the Original Borrower shall within fifteen Business Days of demand, pay the Facility Agent and each Mandated Lead Arranger the amount of all costs and expenses (including legal fees) reasonably incurred by any of them in connection with:

- (A) the negotiation, preparation, printing, and execution of:
 - (i) this Agreement and any other documents referred to in this Agreement; and
 - (ii) any other Finance Documents executed after the date of this Agreement;
- (B) the appointments of the Consultants.

3.2 Amendment costs

If:

- (A) an Obligor requests an amendment, waiver or consent; or
- (B) an amendment is required pursuant to clause 34.8 (*Change of currency*),

the Original Borrower shall, within fifteen Business Days of demand, reimburse the Facility Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Facility Agent in responding to, evaluating, negotiating or complying with that request or requirement.

3.3 Enforcement costs

the Original Borrower shall, within five Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement or attempted enforcement of, or the preservation of any rights under, any Finance Document.

4. Notices

4.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

4.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (A) in the case of the Obligors, that identified with its name below;
- (B) in the case of each Lender, that notified in writing to the Facility Agent on or prior to the date on which it becomes a Party; and

(C) in the case of an Agent, that identified with its name below,

or any substitute address or fax number or department or officer as the Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five Business Days' notice.

Contact details of the Obligors:

To: P.O. Box 32322
4th Floor Century Yard
Cricket Square
Elgin Avenue
George Town
Grand Cayman
KY1 – 1209
Cayman Islands

Fax: +1 345 946 4090

Attention: Andrew Johnson

Copy: c/o Kosmos Energy LLC
8176 Park Lane
Suite 500
Dallas
Texas 75231
USA

Fax: +1 214 445 9705

Attention: Jason Doughty

Contact details of the Facility Agent:

Name: Standard Chartered Bank – Loans
Agency

Email: lisa.richardson@sc.com;

emma.hattersley@sc.com;

loansagencyuk@sc.com

Address: 1 Basinghall Avenue, London, EC2V
5DD

Attention: Lisa Richardson, Emma Hattersley

Contact details of the Security Agent:

Name: BNP Paribas - CIB - Agency- EMEA

Address: Millenaire 4 - 35 Rue de la Gare - 75019
Paris

Fax: + 33 (0) 1 42 98 43 17

Attention: Alexandra Arhab/Lise Yu

Contact details of the Intercreditor Agent:

Name: BNP Paribas - CIB - Agency- EMEA
Address: Millenaire 4 - 35 Rue de la Gare - 75019
Paris
Fax: + 33 (0) 1 42 98 43 17
Attention: Alexandra Arhab/Lise Yu

Contact details of the Technical Bank:

Address: SG House,
41 Tower Hill,
London,
EC3N 4SG,
United Kingdom
Attention: Mark Bromfield

Contact details of the Modelling Bank:

Address: SG House,
41 Tower Hill,
London,
EC3N 4SG,
United Kingdom
Attention: Mark Bromfield

4.3 Delivery

- (A) Subject to clause 37.5 (*Electronic communication*), any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
- (i) if by way of fax, when received in legible form; or
 - (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post with postage prepaid in an envelope addressed to it at that address;
- and, if a particular department or officer is specified as part of its address details provided under clause 37.2 (*Addresses*), if addressed to that department or officer.

- (B) Any communication or document to be made or delivered to an Agent will be effective only when actually received by that Agent and then only if it is expressly marked for the attention of the department or officer identified with that Agent's signature below (or any substitute department or officer as the Facility Agent shall specify for this purpose).
- (C) All notices from or to an Obligor shall be sent through the Facility Agent.
- (D) Any communication or document made or delivered to the Original Borrower in accordance with this clause will be deemed to have been made or delivered to each of the Obligors.

4.4 Notification of address and fax number

Promptly upon receipt of notification of an address or fax number or change of address or fax number pursuant to clause 37.2 (*Addresses*) or changing its own address or fax number, the Facility Agent shall notify the other Parties.

4.5 Electronic communication

- (A) Any communication to be made between the Facility Agent and a Lender or the Facility Agent and the Original Borrower under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Facility Agent and the relevant Lender or the Facility Agent and the Original Borrower:

- (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

- (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

- (iii) notify each other of any change to their address or any other such information supplied by them.

- (B) Any electronic communication made between the Facility Agent and a Lender or the Facility Agent and the Original Borrower will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Facility Agent or by the Original Borrower to the Facility Agent only if it is addressed in such a manner as the Facility Agent shall specify for this purpose.

4.6 English language

- (A) Any notice given under or in connection with any Finance Document must be in English.

- (B) All other documents provided under or in connection with any Finance Document must be:

- (i) in English; or

- (ii) if not in English, and if so required by either the Facility Agent or the Security Agent, accompanied by a certified English translation and, in this case, the

English translation will prevail unless the document is a constitutional, statutory or other official document.

5. Calculations and Certificates

5.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

5.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest or proven error, prima facie evidence of the matters to which it relates.

5.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days.

6. Disclosure to numbering service providers

(A) Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Facility and/or one or more Obligors the following information:

(i) names of Obligors;

(ii) country of domicile of Obligors;

(iii) place of incorporation of Obligors;

(iv) date of this Agreement;

(v) the names of the Facility Agent and Mandated Lead Arrangers;

(vi) date of each amendment and restatement of this Agreement;

(vii) amount of Total Commitments;

(viii) currencies of the Facility;

(ix) type of Facility;

(x) ranking of Facility;

(xi) the Final Maturity Date;

(xii) changes to any of the information previously supplied pursuant to paragraphs (i) to (xi) above; and

(xiii) such other information agreed between such Finance Party and the Original Borrower,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

- (B) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Facility and/or one or more Obligor by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.
- (C) KEFI represents that none of the information set out in paragraphs (i) to (xiii) of paragraph (A) above is, nor will at any time be, unpublished price-sensitive information.
- (D) The Facility Agent shall notify KEFI and the other Finance Parties of:
 - (i) the name of any numbering service provider appointed by the Facility Agent in respect of this Agreement, the Facility and/or one or more Obligor; and
 - (ii) the number or, as the case may be, numbers assigned to this Agreement, the Facility and/or one or more Obligor by such numbering service provider.

7. Partial Invalidity

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

8. Remedies and Waivers

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

9. Amendments and Waivers

9.1 Required consents

- (A) Subject to clause 42.2 (*Exceptions*) and to paragraph (D) below, any term of the Finance Documents (other than a waiver of a Condition Precedent or a Condition Subsequent, which shall be made pursuant to clause 2.3 (*Waivers of Conditions Precedent*)) may be amended or waived only with the consent of the Majority Lenders and the Obligor and any such amendment or waiver will be binding on all Parties.
- (B) The Facility Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this clause.
- (C) Paragraph (C) of clause 30.9 (*Pro rata interest settlement*) shall apply to this clause 42.

- (D) Notwithstanding the terms of this clause 42, in relation to an amendment, variation or waiver of the terms of the Intercreditor Agreement or the Security Documents, the terms of the Intercreditor Agreement shall prevail.

9.2 Exceptions

- (A) The following may not be effected without the consent of all the Lenders.
- (i) amending the definition of “Majority Lenders” or “Supermajority Lenders”;
 - (ii) amending, varying or waiving clause 4 (*Finance Parties’ Rights and Obligations*) of this Agreement and/or any other term of any Finance Document which relates to the rights and/or obligations of each Finance Party being several;
 - (iii) varying the date for, or altering the amount or currency of, any payment to Lenders under the Finance Documents;
 - (iv) increasing or extending the Commitment of a Lender;
 - (v) amending varying or waiving a term of any Finance Document which expressly requires the consent of all the Lenders; ;
 - (vi) amending, varying or waiving this clause 42 (*Amendments and Waivers*); or
 - (vii) any release of Security Interests granted pursuant to any Security Document or amendment, waiver or variation of the obligations of any Obligor pursuant to clause 25.1 (*Guarantee and indemnity*). Nothing in this clause (vii) shall require any consent to be obtained for any release of Security Interests, Security Documents (including but not limited to under releases made pursuant to clause 28.8(C)) or obligations of any Obligor pursuant to clause 25.1 (*Guarantee and indemnity*), which are permitted by clause 28.32 (*IPO Reorganisation*).
- (B) An amendment to Clause 28.35 (*HY Notes Maturity Date*) may not be effected without the consent of the Supermajority Lenders.
- (C) An amendment of clause 19.6 (*Calculation of Borrowing Base Amount*) to reduce the figure of 1.4 or the figure of 1.15 may not be effected without the consent of the Majority Lenders.
- (D) An amendment or waiver which relates to the rights or obligations of an Agent, an LC Issuing Bank or an Account Bank may not be effected without the consent of that Agent, LC Issuing Bank or that Account Bank.
- (E) Any release of Security Interests granted pursuant to any Security Document, an amendment or waiver which relates to clause 21.2 (*Withdrawals – No Default Outstanding*), clause 25 (*Guarantee and Indemnity*) and the rights or obligations of a Hedging Counterparty, in each case, may not be effected without the consent of the relevant Hedging Counterparty.

- (F) (i) If a Lender becomes a Non-Funding Lender that Lender's Commitment shall not be included for the purposes of calculating Total Commitments under the Facility when ascertaining whether a certain percentage of Total Commitments has been obtained to approve any requested amendment, waiver, consent or approval.

(i) If a Lender does not accept or reject a request for an amendment, waiver, consent or approval within:

- (a) in respect of clause 31.6 (*Unwind of Equatorial Guinea Joint Venture*), ten Business Days;
- (b) in any other case, fifteen Business Days,

(or, in each case, such longer period as the Original Borrower may specify) of such request being made, that Lender shall be deemed to have granted its consent to the requested amendment, waiver, consent or approval. Promptly upon the expiration of such ten Business Day period, fifteen Business Day period or such longer period as the Original Borrower may have specified (as the case may be), and in any event within two Business Days of the expiration of such period, the Facility Agent shall notify the Original Borrower and the Lenders whether the requested amendment, waiver, consent or approval has been approved or given in accordance with the terms of this Agreement.

9.3 Disenfranchisement of Shareholder Affiliates

Notwithstanding any other provisions of this Agreement, for so long as a Shareholder Affiliate is a Lender and/or to the extent that a Shareholder Affiliate beneficially owns a Commitment or has entered into a sub-participation agreement relating to a Commitment or other agreement or arrangement having a substantially similar economic effect and such agreement or arrangement has not been terminated, such Shareholder Affiliate shall not be entitled to exercise any rights to vote as Lender in respect of any matters requiring decision by the Lenders under the terms of this Agreement or any of the Finance Documents. Each such Shareholder Affiliate acknowledges and agrees that:

- (A) in the event that a matter requires decision by one or more Lenders under this Agreement or any of the Finance Documents,
- (i) the Commitment of such Shareholder Affiliate and any associated participation of such Shareholder Affiliate in a Loan shall be deemed to be zero; and
- (ii) such Shareholder Affiliate shall be deemed not to be a Lender;
- (B) in relation to any meeting or conference call to which all or any number of Lenders are invited to attend or participate, it shall not attend or participate in the same if so requested by the Facility Agent or, unless the Facility Agent otherwise agree, be entitled to receive the agenda or any minutes of the same; and
- (C) it shall not, unless the Facility Agent otherwise agree, be entitled to receive any report or other document prepared at the behest of, or on the instructions of, the Facility Agent or one or more of the Lenders.

10. Counterparts

- (A) This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each Party has executed at least one counterpart.
- (B) Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute one and the same instrument.

**PART 13
GOVERNING LAW AND ENFORCEMENT**

1. Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

2. Jurisdiction**2.1 Arbitration**

All disputes arising out of or in connection with this Agreement including its subject matter, existence, negotiation, validity, termination or enforceability (including any non-contractual dispute or claim) between one or several of the Finance Parties on the one hand and one or several Obligors on the other hand (a "**Dispute**") shall be referred to arbitration and finally settled on the following terms:

- (A) the arbitration shall be conducted in accordance with the Rules of Arbitration of the International Chamber of Commerce ("**ICC**") (the "**Rules**"), which Rules are deemed to be incorporated by reference into this clause;
- (B) the seat of the arbitration shall be London;
- (C) the language of the arbitration shall be English;
- (D) there shall be three arbitrators; and
- (E) the arbitration agreement in this clause 45.1 and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

2.2 Consolidation and joinder of Disputes

In this clause:

"**Consolidation Order**" means an order by a tribunal that a Primary Arbitration and Later Arbitration be resolved in the same arbitral proceedings.

"**Joinder Order**" means an order by a tribunal that a party to this Agreement may be joined to an arbitration that it was not previously a party to.

"**Primary Arbitration**" means, where there is more than one arbitration commenced under this Agreement, the arbitration first commenced (to be conclusively determined by the ICC Court in the event of a dispute).

"Later Arbitration" means, where there is more than one arbitration commenced under this Agreement, any arbitration other than the Primary Arbitration.

2.3 Joinder

- (A) Each party consents to be joined as a party to an arbitration commenced under this Agreement on the terms provided by paragraphs (B) and (C) below. Each party consents to the joinder of any party to this Agreement to an arbitration under this Agreement on the terms provided by paragraphs (B) and (C) below.
- (B) Within 30 days from the date on which a Request for Arbitration (as defined in Article 4 of the Rules) is served on all parties to the Request for Arbitration (the "**Initial Joinder Period**"), any party to the arbitration may effect joinder by serving notice on any party to this Agreement whom it seeks to join, copying the other parties to the Request for Arbitration. The joined party will become a claimant or respondent party (to be finally determined by the ICC Court in the event of a dispute) to the arbitration and participate in the arbitrator appointment process in clause 45.5 (*Appointment of arbitrators*).
- (C) After the Initial Joinder Period has ended, any party to the Request for Arbitration may submit a request for arbitration against the additional party (the "**Request for Joinder**") to the Secretariat and promptly notify all parties to the Request for Arbitration and the party it seeks to join of that application. On hearing such application, the tribunal may, if it considers appropriate, make a Joinder Order. Notice of such Joinder Order must be given to all parties to the Request for Arbitration, the joined party and the Secretariat.

2.4 Consolidation

- (A) Any party to either a Primary Arbitration or one or more Later Arbitration(s) may apply to the ICC Court for a Consolidation Order in relation to any Later Arbitration(s). That party must also send such applications to all parties to the Primary Arbitration and the Later Arbitration. The relevant provisions of the Rules shall apply.
- (B) Each party to this Agreement waives any objection, on the basis of joinder, a Joinder Order or a Consolidation Order, to the validity and/or enforcement of any arbitral award made by a tribunal following any joinder, Joinder Order or Consolidation Order and such award shall be binding whether or not the parties to this Agreement participate in the arbitration. For the avoidance of doubt, this includes a waiver of any objection that the joinder, Joinder Order or Consolidation Order has resulted in a party to this Agreement being deprived of any right to participate in the nomination of the arbitrators.

2.5 Appointment of arbitrators

The tribunal shall be three arbitrators selected as follows:

- (A) if there are two parties to the arbitration, and neither party has exercised the right to joinder within the Initial Joinder Period, each party to the arbitration will nominate one arbitrator within 20 days after the end of the Initial Joinder Period. The two arbitrators so nominated shall jointly nominate a third arbitrator who shall act as presiding arbitrator within 30 days of the appointment of the second arbitrator. If an arbitrator is not nominated within the time prescribed above, the appointment shall, at the request of either party to the arbitration, be made by the ICC Court;

- (B) if there are more than two parties to the arbitration, or at least one of the parties has exercised the right to joinder within the Initial Joinder Period, the claimant(s) will jointly nominate one arbitrator and the respondent(s) will jointly nominate one arbitrator, both within 30 days after the end of the Initial Joinder Period. The two arbitrators so nominated shall jointly nominate a third arbitrator who shall act as presiding arbitrator within 30 days of the appointment of the second arbitrator. If an arbitrator is not nominated within the time prescribed above, the appointment shall, at the request of either party to the arbitration, be made by the ICC Court. Any existing nomination or confirmation of the arbitrator chosen by the party or parties on the other side of the proposed arbitration shall be unaffected, and the remaining arbitrator(s) shall be appointed in accordance with the Rules;
- (C) each Finance Party agrees that the Facility Agent, acting on the instructions of the Majority Lenders, shall exercise the right of appointment of an arbitrator for the Finance Parties where more than one Finance Party is party to the Dispute; and
- (D) each party to this Agreement expressly agrees and consents to this process for nominating and appointing the arbitral tribunal and, if this clause operates to exclude a party's right to choose its own arbitrator, irrevocably and unconditionally waives any right it may have to do so.

2.6 Confidentiality

The Parties shall keep confidential and not disclose to any non-party the existence of the arbitration or the content of the arbitral proceedings (including all awards and orders in the arbitration, as well as all materials created for the purpose of the arbitration not otherwise in the public domain), save and to the extent that a disclosure may be required of a party by legal duty, to protect or pursue a legal right or to enforce or challenge an award in bona fide legal proceedings before a state court or other judicial authority.

2.7 Inter-bank disputes

The Finance Parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Agreement, or the subject matter, existence, negotiation, validity, termination or enforceability (including any non-contractual dispute or claim) of this Agreement, involving one or several Finance Parties with no involvement of any Obligor.

3. Service of Process

- (A) Without prejudice to any other mode of service allowed under any relevant law, each of the Obligors:
 - (i) irrevocably appoints KEISL of 10 Stratton Street, 6th Floor, Mayfair, London W1J 8LG (the "**Process Agent**") as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document;
 - (ii) irrevocably agrees that any Service Document may be sufficiently and effectively served on it in connection with any Dispute in England and Wales by service on the Process Agent (or any replacement agent appointed pursuant to paragraph (C) of this clause 46 (*Service of Process*)); and

- (iii) irrevocably agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.
- (B) KEISL confirms its acceptance of its irrevocable appointment as agent for service of process pursuant to this clause 46.
- (C) If the agent referred to in paragraph (A) of this clause 46 (or any replacement agent appointed pursuant to this paragraph (C)) at any time ceases for any reason to act as such, as the case may be, each Obligor shall as soon as reasonably practicable appoint a replacement agent to accept service having an address for service in England or Wales and shall notify the Facility Agent of the name and address of the replacement agent; failing such appointment and notification, the agent referred to in paragraph (A) of this clause 46 (or any replacement agent appointed pursuant to this paragraph (C)) shall continue to be authorised to act as agent for service of process in relation to any proceedings before the English courts on behalf of the relevant Obligor and service of process on that agent shall constitute good service.
- (D) Any document addressed in accordance with paragraph (A) shall be deemed to have been duly served if:
- (i) left at the specified address, when it is left; or
 - (ii) sent by first class post, two clear Business Days after posting.
- (E) For the purposes of this clause 46, "**Service Document**" means a writ, summons, order, judgment or other document relating to or in connection with any Dispute. Nothing contained herein shall affect the right to serve process in any other manner permitted by law.

4. Contractual recognition of bail-in

Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

- (A) any Bail-In Action in relation to any such liability, including (without limitation):
- (i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;
 - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and
 - (iii) a cancellation of any such liability; and
- (B) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

**Schedule 1
The Obligors**

The Borrowers

Name	Jurisdiction of Incorporation	Registered Number
Kosmos Energy Finance International	Cayman Islands	253656
Kosmos Energy Senegal	Cayman Islands	290078
Kosmos Energy Mauritania	Cayman Islands	266444

The Guarantors

Name	Jurisdiction of Incorporation	Registered Number
Kosmos Energy Operating	Cayman Islands	231417
Kosmos Energy International	Cayman Islands	218274
Kosmos Energy Development	Cayman Islands	225879
Kosmos Energy Finance International	Cayman Islands	253656
Kosmos Energy Ghana HC	Cayman Islands	135710
Kosmos Energy Investments Senegal Limited	England and Wales	10520822
Kosmos Energy Equatorial Guinea	Cayman Islands	269135
Kosmos Energy Senegal	Cayman Islands	290078
Kosmos Energy Mauritania	Cayman Islands	266444

Schedule 2
The Original Lenders

Original Lender	Commitment (USD)
ABSA Bank Limited (acting through its corporate and investment banking division)	121,500,000
Bank of America Merrill Lynch International Limited	55,000,000
Bank of Montreal, London Branch	40,000,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	50,000,000
Citibank N.A., London Branch	50,000,000
Crédit Agricole Corporate and Investment Bank	121,500,000
HSBC Bank Plc	121,500,000
ING Belgium SA/NV	121,500,000
Natixis	111,500,000
N.B.S.A. Limited	121,500,000
Rand Merchant Bank, a division of FirstRand Bank Limited (London Branch)	50,000,000
Société Générale, London Branch	146,500,000
The Standard Bank of South Africa Limited, Isle of Man Branch	121,500,000
Standard Chartered Bank	121,500,000
Sumitomo Mitsui Banking Corporation Europe Limited	146,500,000

Schedule 3
Conditions Precedent

Part I
Conditions Precedent To first Utilisation

1. Provision of each of the following Finance Documents, duly executed by each of the parties to them (subject, in the case of the relevant Security Document, to the Lenders having agreed to the requirements of subordination in relation to any Security created in respect of a Project Agreement):
- (i) this Agreement;
 - (ii) any Intercompany Loan Agreement;
 - (iii) the KEG Offshore Project Accounts Agreement;
 - (iv) the Borrower Offshore Project Accounts Agreement;
 - (v) the KEG Onshore Project Accounts Agreement;
 - (vi) the Intercreditor Agreement;
 - (vii) the Charge over Shares in the Original Borrower;
 - (viii) the Charge over Shares in KEO;
 - (ix) the Charge over Shares in KEG;
 - (x) the Charge over Shares in KED;
 - (xi) the Charge over Shares in KEI;
 - (xii) the Borrower Offshore Security Assignment;
 - (xiii) the KEO Offshore Security Assignment;
 - (xiv) the KEI Offshore Security Assignment;
 - (xv) the KED Offshore Security Assignment;
 - (xvi) the KEG Offshore Security Assignment;
 - (xvii) the KEG Onshore Security Assignment;
 - (xviii) the KEI and KEO Offshore Security Assignment;
 - (xix) the Facility Agent Fee Letter;
 - (xx) the front end and underwriting Fee Letter;
 - (xxi) the Technical Bank Fee Letters;

- (xxii) the Modelling Bank Fee Letters;
- (xxiii) the Security Agent Fee Letter;
- (xxiv) the Documentation Bank Fee Letter; and
- (xxv) the BNP Paribas LC Issuing Fee Letter.

2. Provision of certified copies of each Obligor's constitutional documents and corporate resolutions authorising entry into and performance of the Finance Documents to which they are a party and certification as to solvency.
3. Receipt by the Facility Agent of appropriate legal opinions from Clifford Chance LLP, Walkers, Fugar & Company, Maples & Calder, Thompson & Knight and Bentsi-Enchill, Letsa & Ankomah.
4. Final Reports and/or letters issued by the Consultants (provided that there is only an obligation to provide an executive summary of the Final Report from the Technical Consultant as a condition precedent to first Utilisation).
5. Provision of a certificate from the Original Borrower that all Required Approvals on the date of the proposed utilisation have been obtained (including a schedule of all such Required Approvals).
6. Provision of a certificate in the agreed form certifying that complete copies of the following Project Agreements, including all amendments in relation thereto, have been delivered to the Agents under the Existing Finance Documents pursuant to the terms of the CTA (as defined in the Definitions Agreement):
 - (i) the DWT PA;
 - (ii) the DWT JOA;
 - (iii) the WCTP PA; and
 - (iv) the WCTP JOA,

together with certified copies of all other Project Agreements not referred to in paragraphs (i) to (iv) (inclusive) above (including, for the avoidance of doubt and without limitation, those documents listed under paragraphs (C), (D) and (E) of the definition of Project Agreements).

7. An audit of the Model prepared by the Model Auditor.
8. All share charges are entered into pursuant to condition precedent 1 above are perfected and fully valid and, where applicable (by adopting a consistent approach as was adopted for the Existing Finance Documents): (a) share certificates and blank stock transfer forms are delivered to the Security Agent; (b) certified copy registers of members are delivered to the Security Agent in relation to companies whose shares have been pledged; and (c) letter of undertaking from the Company whose shares are being charged.
9. Each Obligor (save for the Original Borrower and KEO) shall provide a certified copy of its most recent audited accounts, if any, and KEO shall provide a copy of the Form S-1 filed by Kosmos Energy Ltd. with the United States Securities and Exchange Commission on 23 March 2011, which includes the most recent audited consolidated accounts of the Group.

10. The Schedule of Insurances.
11. The following documents for release of the Security Interests (as defined in the Existing Finance Documents) created by under the Existing Finance Documents, in the form agreed by the Security Trustee (as defined in the Existing Finance Documents):
 - deed of release between KEH, KEO, KEI, KED and BNP PARIBAS, as security trustee, releasing the security created by the existing charges over shares;
 - deed of release between KED, Kosmos Energy Finance, KEG and KEO and BNP Paribas, as security trustee, releasing the security created by the existing debentures;
 - deed of release between KEI, KEO and BNP Paribas, as security trustee, releasing the secured property under the existing security assignment.

Part II
Conditions Precedent Required to be Delivered by an Additional Obligor

1. Provision of an Accession Letter, duly executed by the Additional Obligor and the Original Borrower.
2. Provision of a Deed of Subordination in respect of any Financial Indebtedness of such Additional Obligor and a deed, duly signed on behalf of the Additional Obligor and each other Obligor and KEH, substantially in the form of the Deed of Acknowledgment and Release.
3. Provision of certified copies of the Additional Obligor's constitutional documents and certificates of incorporation (or equivalent).
4. A copy of a resolution of the board of directors of the Additional Obligor approving the terms of, and the transactions contemplated by, the Accession Letter and the Finance Documents and resolving that one or more specified persons execute the Accession Letter and any other documents and notices in connection with the Finance Documents.
5. A specimen signature of each person authorised to execute the Accession Letter and any other documents and notices in connection with the Finance Documents.
6. A certificate of the Additional Obligor (signed by a director) confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar limit binding on it to be exceeded.
7. A certificate of an Authorised Signatory of the Additional Obligor certifying that each copy document listed in this Part II of Schedule 3 is correct, complete and in full force and effect as at a date no earlier than the date of the Accession Letter.
8. A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by the Accession Letter or for the validity and enforceability of any Finance Document.
9. If available, the latest audited financial statements of the Additional Obligor.
10. Receipt by the Facility Agent of any appropriate legal opinions.
11. If the proposed Additional Obligor is incorporated in a jurisdiction other than England and Wales, evidence that the process agent specified in clause 46 (*Service of Process*), if not an Obligor, has accepted its appointment in relation to the proposed Additional Obligor.
12. In respect of an Additional Obligor incorporated in the United Kingdom whose shares are to be the subject of a Security Interest created or expressed to be created in favour of the Security Agent pursuant to the Security Documents (a "**Charged Company**"), either:
 - (i) a certificate of an authorised signatory of the Original Borrower certifying that:
 - (A) each member of the KEL Group has complied within the relevant timeframe with any notice it has received pursuant to Part 21A of the Companies Act 2006 from that Charged Company; and

(B) no "warning notice" or "restrictions notice" (in each case as defined in Schedule 1B of the Companies Act 2006) has been issued in respect of those shares,

together with a copy of the "PSC register" (within the meaning of section 790C(10) of the Companies Act 2006) of that Charged Company which, in the case of a Charged Company that is a member of the KEL Group, is certified by an authorised signatory of the Original Borrower to be correct, complete and not amended or superseded as at a date no earlier than the date of the Accession Letter; or

(ii) a certificate of an authorised signatory of the Original Borrower certifying that such Charged Company is not required to comply with Part 21A of the Companies Act 2006.

**Schedule 4
Utilisation Requests**

**Part I
Loans**

From: [•] (the "Borrower")

To: **STANDARD CHARTERED BANK** (the "Facility Agent")

Dated:

Dear Sirs

**Kosmos Energy Finance International – Facility Agreement
dated [•] (as amended or as amended and restate from time to time) (the "Agreement")**

1. We refer to the Agreement. This is a Utilisation Request in respect of a Utilisation under the Facility. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2. We wish to borrow a Loan under the Facility on the following terms:

Proposed Utilisation Date: [•] (or, if that is not a Business Day, the next Business Day)

Amount: [•] or, if less, the Total Available Facility Amount

Amount attributable to Interest payments [•]

Interest Period: [•]

3. We hereby certify that on the proposed Utilisation Date:

- (a) no Default or Event of Default is continuing or will result from the proposed Loan;
- (b) the Loan is expected to be applied in payment of amounts subject to and in accordance with the Cash Waterfall within 90 days of the Utilisation Date or are otherwise required for the Obligors to comply with clause 20.1 (*Project Accounts*) of the Agreement;
- (d) the aggregate principal amount outstanding under the Facility does not exceed the Borrowing Base Amount and the making of the Utilisation would not result in the aggregate principal amount outstanding under the Facility exceeding the Borrowing Base Amount; and
- (e) the Repeating Representations to be made by each Obligor on the proposed Utilisation Date are, in the light of the facts and circumstances then existing, true and correct in all material respects (or, in the case of a Repeating Representation that contains a materiality concept, true and correct in all respects).

4. The proceeds of this Loan should be credited to the [Borrower/other] Offshore Proceeds Account and to the extent an amount has been attributed to Interest payments above, such amount shall be applied towards the payment of Interest on the Facility.
5. This Utilisation Request is irrevocable and is a Finance Document.

Yours faithfully

Authorised Signatory for
[Borrower]

Part II
Letters of Credit

From: Kosmos Energy Finance International

To: **STANDARD CHARTERED BANK** (the "Facility Agent")
[•] (the "LC Issuing Bank")

Dated:

Dear Sirs

Kosmos Energy Finance International – Facility Agreement
dated [•] (as amended or as amended and restated from time to time)
(the "Agreement")

1. We wish to arrange for a Letter of Credit to be issued by the LC Issuing Bank on the following terms:

Proposed Utilisation Date: [•] (or, if that is not a Business Day, the next Business Day)

Amount: [•] or, if less, the Total Available Facility Amount

Beneficiary: [•]

Term or Expiry Date: [•]

2. We hereby certify that each condition specified in clause 7.6 (*Issue of Letters of Credit*) is satisfied on the date of this Utilisation Request.

3. We attach a copy of the proposed Letter of Credit.

4. This Utilisation Request is irrevocable and is a Finance Document.

Delivery Instructions:

[specify delivery instructions]

Yours faithfully

Authorised Signatory for
Kosmos Energy Finance International

**Schedule 5
Amortisation Schedule**

Repayment Date	Repayment Instalment (USD)	Total Facility Amount (USD)
31/03/2018	0	1,500,000,000
30/09/2018	0	1,500,000,000
31/03/2019	0	1,500,000,000
30/09/2019	0	1,500,000,000
31/03/2020	0	1,500,000,000
30/09/2020	0	1,500,000,000
31/03/2021	0	1,500,000,000
30/09/2021	0	1,500,000,000
31/03/2022	214,285,714	1,285,714,286
30/09/2022	214,285,714	1,071,428,571
31/03/2023	214,285,714	857,142,857
30/09/2023	214,285,714	642,857,143
31/03/2024	214,285,714	428,571,429
30/09/2024	214,285,714	214,285,714
31/03/2025	214,285,714	0

Schedule 6

[intentionally left blank]

**Schedule 7
Form of Transfer Certificate**

To: **STANDARD CHARTERED BANK** as (the “**Facility Agent**”)

From: [The Existing Lender] (the “**Existing Lender**”) and [The New Lender] (the “**New Lender**”)

Dated:

Dear Sirs

**Kosmos Energy Finance International – Facility Agreement
dated [•] (as amended or as amended and restated from time to time) (the “Agreement”)**

1. We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
2. We refer to clause 30.5 (*Procedure for transfer*):
 - (A) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with clause 30.5 (*Procedure for transfer*).
 - (B) The proposed Transfer Date is [•].
 - (C) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of clause 37.2 (*Addresses*) are set out in the Schedule.
3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (C) of clause 30.4 (*Limitation of responsibility of Existing Lenders*).
4. The New Lender confirms that it is a Qualifying Bank.
5. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
6. This Transfer Certificate or any non-contractual obligations arising out of or in connection with it governed by English law.

Note: **The execution of this Transfer Certificate may not transfer a proportionate share of the Existing Lender's interest in the Security Interest created or expressed to be created in favour of the Security Agent pursuant to the Security Documents in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in the Existing Lender's Security Interest created or expressed to be created in favour of the Security Agent pursuant to the Security Documents in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.**

THE SCHEDULE

Commitments/rights and obligations to be transferred

[Insert relevant details]

[Facility Office address, fax number and attention details for notices and account details for payments]

[Existing Lender] [New Lender]

By: By:

This Transfer Certificate is accepted by the Facility Agent and the Transfer Date is confirmed as [•].

STANDARD CHARTERED BANK

By:

Schedule 8
Form of Lender Accession Notice

To: **STANDARD CHARTERED BANK** as Facility Agent

From: *[Additional Lender]*

Dated:

Dear Sirs,

Kosmos Energy Finance International - Facility Agreement
dated [•] (as amended or as amended and restated from time to time) (the "Facility Agreement")

1. We refer to the Facility Agreement. This is a Lender Accession Notice. Terms defined in the Facility Agreement have the same meaning in this Lender Accession Notice unless given a different meaning in this Lender Accession Notice.
2. *[Additional Lender]* agrees:
 - (a) to be bound by the terms of the Facility Agreement as a Lender pursuant to clause [3.3] (*Additional Commitment*) of the Facility Agreement; and
 - (b) to be bound by the terms of the Intercreditor Agreement as a [Lender/ Creditor].
3. *[Additional Lender]*'s Additional Commitment is USD [].
4. *[Additional Lender's]* administrative details are as follows:

Account details: [_____]

Facility Office Address: [_____]

Telephone No.: [_____]

Fax No.: [_____]

Attention: [_____]

5. This Lender Accession Notice and any non-contractual obligations arising out of or in connection with it are governed by English law.
6. This Lender Accession Notice has been delivered as a deed on the date stated at the beginning of this Lender Accession Notice.

[Additional Lender]

By:

This Lender Accession Notice is accepted by the Facility Agent and the Commitment Commencement Date is confirmed as [].

STANDARD CHARTERED BANK

By:

Schedule 9
Form of Accession Letter

From: *[name of subsidiary]* (the “**Company**”) and *[•]* (the “**Borrower**”)

To: **STANDARD CHARTERED BANK** (the “**Facility Agent**”)

Dated:

Dear Sirs

Kosmos Energy Finance International – Facility Agreement
dated *[•]* (as amended or as amended and restated from time to time) (the “Agreement”)

1. We refer to the Agreement. This is an Accession Letter. Terms defined in the Agreement have the same meaning in this Accession Letter unless given a different meaning in this Accession Letter.
2. The Company agrees to become an Additional *[Borrower]/[Guarantor]* and to be bound by the terms of the Agreement as an Additional *[Borrower]/[Guarantor]* pursuant to clause *[31.2 (Additional Borrowers)]/[31.4 (Additional Guarantor)]* of the Agreement. The Company is a company duly incorporated under the laws of *[name of relevant jurisdiction]*.
3. The Company's administrative details are as follows:

Address:

Fax No:

Attention:
4. This Accession Letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

This Accession Letter is entered into by deed.

[Company] *[Borrower]*

Schedule 10
Form of Resignation Letter

From: *[resigning Obligor]* and Kosmos Energy Finance International

To: **STANDARD CHARTERED BANK** (the "Facility Agent")

Dated:

Dear Sirs

Kosmos Energy Finance International - Facility Agreement
dated [•] (as amended or as amended and restated from time to time) (the "Agreement")

1. We refer to the Agreement. This is a Resignation Letter. Terms defined in the Agreement have the same meaning in this Resignation Letter unless given a different meaning in this Resignation Letter.
2. Pursuant to clause [31.3 (*Resignation of a Borrower*)] of the Agreement, we request that *[resigning Obligor]* be released from its obligations as a Borrower under the Agreement.
3. We confirm that:
 - (a) no Default is continuing or would result from the acceptance of this request; and
 - (b) [•].
4. This Resignation Letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

[resigning Obligor] Kosmos Energy Finance International

Schedule 11
Form of Compliance Certificate

To: **STANDARD CHARTERED BANK** as Facility Agent

From: [Obligor]

Date:

Dear Sirs

Kosmos Energy Finance International – Facility Agreement
dated [•] (as amended or as amended and restated from time to time) (the “Agreement”)

1. We refer to the Agreement. This is Compliance Certificate. Terms defined in the Agreement have the same meaning in this Compliance Certificate unless given a different meaning in this Compliance Certificate.
2. We confirm that as at [•], being the last occurring Forecast Date:
 - (A) the Field Life Cover Ratio was [•];
 - (B) the Loan Life Cover Ratio was [•];
 - (C) the DCR was [•]; and
 - (D) the ICR was [•],in each case, as demonstrated by the current Forecast Assumptions.
3. We set out below the calculations establishing the figures in paragraph 2 above:

[•]
4. We confirm that as at [•], so far as we are aware having made diligent enquiries, no Default has occurred or is continuing.
5. The balance of each Debt Service Reserve Account is as follows:

[•]

Yours faithfully

Authorised Signatory for
[Obligor]

Authorised Signatory for
[Obligor]

Schedule 12
Form of Letter of Credit

To: [Beneficiary] (the "**Beneficiary**")

Date:

Irrevocable Standby Letter of Credit no.[.]

At the request and for the account of [•], [LC Issuing Bank] (the "**LC Issuing Bank**") hereby establishes in your favour this irrevocable standby letter of credit ("**Letter of Credit**") not exceeding the Total L/C Amount on the following terms and conditions:

1. Definitions

In this Letter of Credit:

"**Business Day**" means a day (other than a Saturday or a Sunday) on which banks are open for general business in London.

"**Demand**" means a demand for a payment under this Letter of Credit in the form of the schedule to this Letter of Credit.

"**Expiry Date**" means [•].

"**Total L/C Amount**" means an aggregate amount not to exceed \$[•] (USD [*insert amount in words*] only).

2. LC Issuing Bank's agreement

- (A) The Beneficiary may request a drawing or drawings under this Letter of Credit by giving to the LC Issuing Bank a duly completed Demand. A Demand must be received by the LC Issuing Bank by [•] p.m. (London time) on the Expiry Date. Multiple drawings are permitted.
- (B) Subject to the terms of this Letter of Credit, the LC Issuing Bank unconditionally and irrevocably undertakes to the Beneficiary that, within [ten] Business Days of receipt by it of a Demand, it shall pay to the Beneficiary the amount demanded in that Demand.
- (C) The LC Issuing Bank will not be obliged to make a payment under this Letter of Credit if as a result the aggregate of all payments made by it under this Letter of Credit would exceed the Total L/C Amount.

3. Expiry

- (A) The LC Issuing Bank will be released from its obligations under this Letter of Credit on the date (if any) notified by the Beneficiary to the LC Issuing Bank as the date upon which the obligations of the LC Issuing Bank under this Letter of Credit are released.
- (B) Unless previously released under paragraph (A) above, on [•] p.m. ([London] time) on the Expiry Date the obligations of the LC Issuing Bank under this Letter of Credit

will cease with no further liability on the part of the LC Issuing Bank except for any Demand validly presented under the Letter of Credit that remains unpaid.

- (C) When the LC Issuing Bank is no longer under any further obligations under this Letter of Credit, the Beneficiary must return the original of this Letter of Credit to the LC Issuing Bank.

4. Payments

All payments under this Letter of Credit shall be made in [•] and for value on the due date to the account of the Beneficiary specified in the Demand.

5. Delivery of Demand

Each Demand shall be in writing, and, unless otherwise stated, may be made by letter, by registered mail or by courier on your letterhead, with the blanks appropriately completed, purportedly signed by your authorised officers bearing original handwritten signatures and must be received in legible form by the LC Issuing Bank at its address and by the particular department or officer (if any) as follows:

[•]

6. Assignment

The Beneficiary's rights under this Letter of Credit may not be assigned or transferred.

7. Amendment

The Letter of Credit may be amended only by written instrument signed by the LC Issuing Bank and the Beneficiary.

8. ISP 98

Except to the extent it is inconsistent with the express terms of this Letter of Credit, this Letter of Credit is subject to the International Standby Practices (ISP 98), International Chamber of Commerce Publication No. 590.

9. Governing Law

This Letter of Credit and any non-contractual obligations arising out of or in connection with it are governed by English law.

10. Jurisdiction

The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter of Credit (including any non-contractual obligations arising out of or in connection with this Letter of Credit).

Yours faithfully,

[*LC Issuing Bank*]

By:

SCHEDULE
FORM OF DEMAND

To: [LC Issuing Bank]

Date:

Dear Sirs

Standby Letter of Credit no. [•] issued in favour of [BENEFICIARY] (the “Letter of Credit”)

We refer to the Letter of Credit. Terms defined in the Letter of Credit have the same meaning when used in this Demand.

1. We certify that the sum of [•] is due [and has remained unpaid for at least [•] Business Days] [under [set out underlying contract or agreement]]. We therefore demand payment of the sum of [•].
2. The amount specified in paragraph 1 is not in excess of the Total L/C Amount.
3. Payment should be made to the following account:
Name:
Account Number:
Bank:
4. The date of this Demand is not later than the Expiry Date.

Yours faithfully

(Authorised Signatory)(Authorised Signatory)

For

[BENEFICIARY]

Schedule 13
Form of Confidentiality Undertaking

To: [Purchaser's details]

Re:

Kosmos Energy Finance International (the "**Company**") and up to USD 2 billion reserves based loan facility dated [] 2011 (as amended or as amended and restated from time to time) (the "**Facility**")

[insert date]

Dear Sirs

We understand that you are considering participating in the Facility. In consideration of us agreeing to make available to you certain information, by your signature of a copy of this letter you agree as follows:

1. *Confidentiality Undertaking:* You undertake:

- (A) to keep the Confidential Information confidential and not to disclose it to anyone except as provided for by paragraph 2 below and to ensure that the Confidential Information is protected with security measures with a degree of care not less than that which you would apply to your own confidential information;
- (B) to keep confidential and not disclose to anyone except as provided for by paragraph 2 below the fact that the Confidential Information has been made available or that discussions or negotiations are taking place or have taken place between us;
- (C) to use the Confidential Information only for the Permitted Purpose;
- (D) to ensure that any person to whom you pass any Confidential Information in accordance with paragraph 2 (unless disclosed under paragraph 2(B) below) acknowledges and complies with the provisions of this letter as if that person were also a party to it; and
- (E) not to make enquiries in relation to the Confidential Information of any other person, whether a third party or any member of the Group or any of their officers, directors, employees or professional advisers, save for such officers, directors, employees or professional advisers as may be expressly nominated by us for this purpose, provided that this paragraph shall not prevent or restrict you from conducting and completing all necessary and appropriate due diligence in accordance with your normal credit and underwriting approval processes and as required to be performed in order to obtain any requisite credit or underwriting approvals in relation to your possible participation in the Facility.

2. *Permitted Disclosure:* We agree that you may disclose Confidential Information:

- (A) to members of the Participant Group and their officers, directors, employees, consultants and professional advisers but only to the extent necessary for the proper fulfilment of the Permitted Purpose, provided that:
 - (i) such information is disclosed strictly on a need to know basis and provided that the Confidential Information may not be disclosed to any person in the Participant Group who is not working directly on matters concerning your participation in the Facility; and
 - (ii) appropriate information barriers or other procedures as may be necessary are in place to ensure there can be no unauthorised disclosure of, or access to, the Confidential Information to any such person referred to in subparagraph (i) above;
- (B) (i) where required by any court of competent jurisdiction or any competent judicial, governmental, supervisory or regulatory body, (ii) where required by the rules of any stock exchange on which the shares or other securities of any member of the Participant Group are listed or (iii) where required by the laws or regulations of any country with jurisdiction over the affairs of any member of the Participant Group; or
- (C) with our prior written consent.

3. *Notification of Required or Unauthorised Disclosure:* You agree (to the extent permitted by law) to inform us of the full circumstances of any disclosure under paragraph 2(B) (in advance where reasonable and practicable) or immediately upon becoming aware that Confidential Information has been disclosed in breach of this letter.

4. *Return of Copies:* If we so request in writing, you shall return all Confidential Information supplied to you by us or any member of the Group and destroy or permanently erase all copies of Confidential Information made by you and use all reasonable endeavours to ensure that anyone to whom you have supplied any Confidential Information destroys or permanently erases such Confidential Information and any copies made by them, in each case save to the extent that you or the recipients are required to retain any such Confidential Information by any applicable law, rule or regulation or by any competent judicial, governmental, supervisory or regulatory body, or where the Confidential Information has been disclosed in accordance with paragraph 2(B) above.

5. *Continuing Obligations:* The obligations in the preceding paragraphs of this letter are continuing and, in particular, shall survive the termination of any discussions or negotiations between you and us, irrespective of their outcome. Notwithstanding the previous sentence, the obligations in this letter shall cease twelve months after you have returned all Confidential Information and destroyed or permanently erased all copies of Confidential Information made by you to the extent required pursuant to paragraph 4 above.

6. *No Representation; Consequences of Breach, etc:* You acknowledge and agree that:

- (A) neither we nor any of our officers, employees or advisers, and no other member of the Group and none of the officers, employees or advisers of any member of the Group (each a "**Relevant Person**"), (i) make any representation or warranty, express or implied, as to, or assume any responsibility for, the accuracy, reliability or completeness of any of the Confidential Information or any other information supplied by us or any member of the Group or the assumptions on which it is based

or (ii) shall be under any obligation to update or correct any inaccuracy in the Confidential Information or any other information supplied by us or any other member of the Group or be otherwise liable to you or any other person in respect of the Confidential Information or any such information; and

- (B) we and other members of the Group may be irreparably harmed by the breach of the terms of this letter and damages may not be an adequate remedy; each Relevant Person may be granted an injunction or specific performance for any threatened or actual breach of the provisions of this letter by you or any other person.

7. *Inside Information:* You acknowledge that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation relating to insider dealing and you undertake not to use any Confidential Information for any unlawful purpose. As a result of being given the Confidential Information you may well become insiders and, therefore, be unable to take certain actions which you would otherwise be able to take.
8. *No Waiver; Amendments, etc:* This letter shall not affect any other obligation owed by you to any member of the Group. No failure or delay in exercising any right, power or privilege under this letter will operate as a waiver thereof nor will any single or partial exercise of any right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privileges under this letter. The terms of this letter and your obligations under this letter may only be amended or modified by written agreement between us and you.
9. *Nature of Undertakings:* The undertakings and acknowledgements given by you under this letter are given to us and (without implying any fiduciary obligations on our part) are also given for the benefit of each other member of the Group.
10. *Third party rights:*
- (A) Each other member of the Group and each Relevant Person (each a “**Third Party**”) may enforce the terms of this letter by virtue of the Contracts (Rights of Third Parties) Act 1999 (the “**Third Parties Act**”). This paragraph 10(A) confers a benefit on each Third Party, and, subject to the remaining provisions of this paragraph 10, is intended to be enforceable by each Third Party by virtue of the Third Parties Act.
- (B) Subject to paragraph 10(a), a person who is not a party to this letter has no right under the Third Parties Act to enforce or enjoy the benefit of any term of this letter.
- (C) Notwithstanding any provisions of this letter, the parties to this letter do not require the consent of any person to rescind or vary this letter at any time.
11. *Counterparts:* This letter may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this letter, but all the counterparts shall together constitute one and the same instrument.
12. *Governing Law and Jurisdiction:* Any matter, claim or dispute, whether contractual or non-contractual, arising out of or in connection with this letter (including the agreement constituted by your acknowledgement of its terms), is to be governed by and determined in accordance with English law, and the parties submit to the non-exclusive jurisdiction of the English courts.
13. *Definitions and Construction:* In this letter (including the acknowledgement set out below):

"Confidential Information" means any and all information relating to the Company, the Group and the Facility, provided to you by us or any member of the Group or any of our affiliates or advisers, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information and information regarding all discussions and negotiations between us (including information regarding the outcome of such discussions or negotiations), but excludes information that (a) is or becomes public knowledge other than as a direct or indirect result of any breach of this letter or (b) is known by you before the date the information is disclosed to you by us or any member of the Group or any of our affiliates or advisers or is lawfully obtained by you after that date, other than from a source which is connected with the Group and which, in either case, as far as you are aware, has not been obtained in violation of, and is not otherwise subject to, any obligation of confidentiality;

"Group" means, in respect of a person, that person and that person's Holding Companies and each of their respective Subsidiaries;

"Holding Company" means, in relation to a company, any other company in respect of which it is a Subsidiary;

"Participant Group" means you, and each of your Holding Companies and Subsidiaries;

"Permitted Purpose" means considering and evaluating whether to enter into contracts with us in relation to your participation in the Facility; and

"Subsidiary" means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

Please acknowledge your agreement to the above by signing and returning the enclosed copy.

Yours faithfully

For and on behalf of
[Seller's details]

To: [Seller's details]

We acknowledge and agree to the above:

For and on behalf of _____
[Purchaser's details]

Schedule 14
Form of Deed of Subordination

THIS DEED is dated [] and made between:

- (1) [•] (the “**Obligor**”);
- (2) **BNP PARIBAS** in its capacity as Security Agent for the Secured Parties on the terms and conditions set out in the Intercreditor Agreement (the “**Security Agent**”) which expression includes its successors in title and assigns or any person appointed as an additional trustee for the purpose of and in accordance with the Intercreditor Agreement; and
- (3) [•] (the “**Subordinated Party**”).

BACKGROUND:

- (1) Under the Facility, the Lenders have agreed to make available a USD[•] billion loan facility to (among others) the Original Borrower.
- (2) The Subordinated Party has agreed to make, or may in the future make, loans available to the Obligor.
- (3) The Obligor and the Subordinated Party have agreed that the Subordinated Debt (as defined below) shall be subordinated to the claims of the Secured Parties on the terms of this Deed.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

“**Permitted Payment**” means any payment or receipt expressly permitted by clause 4 (*Permitted Payments*) so long as it is so permitted.

“**Subordinated Debt**” means all present and future moneys, debts, obligations and liabilities which are, or are expressed to be, or may become due, owing or payable by the Obligor to the Subordinated Party (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently, and whether as principal, surety or otherwise) together with any related Additional Debt.

“**Subordinated Documents**” means any document evidencing or recording the terms of any Subordinated Debt.

“**Subordination Period**” means the period beginning on the date of this Deed and ending on the date on which all the Secured Liabilities have been unconditionally and irrevocably paid or discharged or satisfied in full and all commitments of the Secured Parties have expired or been cancelled.

1.2 Incorporation of defined terms

Terms defined in clause 1 (*Definitions*) of the facility agreement dated 28 March 2011 between, among others, Kosmos Energy Finance International and Standard Chartered Bank as facility agent (as amended or as amended and restated from time to time) (the "**Agreement**") by, *inter alios*, the parties to this Deed shall have the same meaning and construction when used herein.

1.3 Construction of particular terms

The rules of construction and interpretation set out in clause 1.3 (*Construction of particular terms*) of the Agreement shall apply to this Deed as if expressly set out herein.

1.4 Third Party Rights

- (a) Subject to clause 1.4(b), the parties to this Deed do not intend that any term of this Deed should be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Deed.
- (b) Each of the Secured Parties shall have the right to enforce the terms of this Deed.

2. RANKING

- (a) The Secured Liabilities shall rank senior in priority to the Subordinated Debt.
- (b) Except as provided in this Deed, any payment in respect of the Subordinated Debt is conditional upon the expiry of the Subordination Period.
- (c) As between the Secured Parties, nothing in this Deed shall prejudice the ranking of the Secured Liabilities as set forth in the Intercreditor Agreement.

3. UNDERTAKINGS

3.1 Undertakings of the Obligor

- (a) During the Subordination Period the Obligor shall not, and the Subordinated Party shall not require the Obligor to:
 - (i) pay, repay or prepay any principal, interest or other amount on or in respect of, or make any distribution in respect of, or redeem, purchase, acquire or defease, any of the Subordinated Debt whether in cash or in kind;
 - (ii) exercise any set-off against any Subordinated Debt;
 - (iii) create or permit to subsist any Security over any of its assets, or give any guarantee, for, or in respect of, any Subordinated Debt;
 - (iv) amend, terminate or give any waiver or consent under the Subordinated Documents, other than any amendment, termination, waiver or consent purely of a technical or administrative nature; or
 - (v) take or omit to take any action whereby the ranking and/or subordination contemplated by this Deed might be impaired or terminated.
- (b) Notwithstanding paragraph (a) above, the Obligor may:

- (i) do anything prohibited by paragraph (a) above with the prior written consent of the Security Agent; and
- (ii) make any Permitted Payment.

3.2 Undertakings of the Subordinated Party

- (a) During the Subordination Period, the Subordinated Party shall not:
 - (i) demand or receive payment, repayment or prepayment of any principal, interest or other amount on or in respect of, or any distribution in respect of, the Subordinated Debt in cash or in kind or apply any money or property in or towards discharge of the Subordinated Debt;
 - (ii) exercise any set-off against the Subordinated Debt;
 - (iii) permit to subsist or receive any Security, or any guarantee, for, or in respect of, the Subordinated Debt;
 - (iv) amend, terminate or give any waiver or consent under any Subordinated Document, other than any amendment, termination, waiver or consent purely of a technical or administrative nature;
 - (v) take or omit to take any action whereby the ranking and/or subordination contemplated by this Deed might be impaired;
 - (vi) take any Enforcement Action in relation to the Subordinated Debt; or
 - (vii) assign, transfer or otherwise dispose of any of its rights, benefit, title or interest in or to the Subordinated Debt.
- (b) Notwithstanding paragraph (a) above, the Subordinated Party may:
 - (i) do anything prohibited by paragraph (a) above with the prior written consent of the Security Agent; and
 - (ii) receive and retain a Permitted Payment.

4. PERMITTED PAYMENTS

Subject to clause 6 (*Turnover*) and clause 7 (*Subordination on Insolvency*), unless:

- (a) a Default is continuing; or
- (b) an Insolvency Event or Insolvency Proceedings have occurred in which case clause 7 (*Subordination on Insolvency*) applies; or
- (c) the aggregate of the outstandings under the Facility on the most recent Forecast Date exceeds the Borrowing Base Amount pursuant to clause 10.3 (*Aggregate outstandings exceed the Borrowing Base Amount*) of the Agreement and the earlier of the date of the mandatory prepayment to cure the deficiency or the date which is 90 days following that Forecast Date has not occurred (in which case the provisions of clause 7 (*Subordination on Insolvency*) shall apply),

the Obligor may pay and the Subordinated Party may receive and retain payments of [interest and principal] on the Subordinated Debt in accordance with clause 21.2 (*Withdrawals – No Default Outstanding*) of the Agreement, such payment or receipt to include payment or receipt by way of set-off.

5. REPRESENTATIONS

5.1 Representations of the Subordinated Party

The Subordinated Party makes the representations and warranties set out in this clause 5.1 on the date of this Deed:

- (a) It is duly incorporated (if a corporate person) or duly established (in any other case except for a natural person) and validly existing under the law of its jurisdiction of incorporation or formation.
- (b) It has the power to own its assets and carry on its business as it is being and is proposed to be, conducted, and it has the power to enter into and perform all its obligations under this Deed and the transactions contemplated by this Deed.
- (c) The obligations expressed to be assumed by it under this Deed are legal, valid, binding and enforceable obligations.
- (d) The entry into and performance by it of, and the transactions contemplated by, this Deed does not and will not conflict with:
 - (i) any law applicable to it;
 - (ii) its constitutional documents; or
 - (iii) any agreement or instrument binding upon it or any of its assets.
- (e) It has (or had at the relevant time) the power and authority to execute and deliver this Deed and it has the power and authority to perform its obligations under this Deed and the transactions contemplated thereby.
- (f) All Required Approvals have been obtained or effected and are in full force and effect where a failure to do so has or could reasonably be expected to have a Material Adverse Effect.
- (g) It is the sole beneficial owner of the Subordinated Debt owed to it.

5.2 Repetition

Each of the representations and warranties in clause 5.1 (*Representations of the Subordinated Party*) will be repeated on the date of each Utilisation Date and on the first day of each Interest Period. Where a representation is repeated, it is applied to the facts and circumstances existing at the time of repetition.

6. TURNOVER

During the Subordination Period, if the Subordinated Party received or recovers:

- (a) a payment (other than a Permitted Payment) in cash or in kind or distribution in respect of any of the Subordinated Debt from the Obligor or any other source; or
 - (b) the proceeds of any enforcement of any Security or any guarantee or other assurance against financial loss for any Subordinated Debt,
- in each case, in contravention of clause 2 (*Ranking*) or 3 (*Undertakings*), the Subordinated Party shall:

- (i) within three (3) Business Days notify details of the receipt or recovery to the Security Agent;
- (ii) hold any such assets and moneys received or recovered by it (up to a maximum of an amount equal to the Secured Liabilities on trust for the Security Agent for application against the Secured Liabilities in accordance with the order and priority set forth in the Intercreditor Agreement; and
- (iii) within three (3) Business Days of demand by the Security Agent, pay an amount equal to such receipt or recovery (up to a maximum of an amount equal to the Secured Liabilities) to the Security Agent for application against the Secured Liabilities in accordance with the order and priority set forth in the Intercreditor Agreement.

7. SUBORDINATION ON INSOLVENCY

7.1 Subordination

If an Insolvency Event or Insolvency Proceedings occur, the Subordinated Debt will be subordinate to the Secured Liabilities.

7.2 Filing of Claims

- (a) If an Insolvency Event or Insolvency Proceedings occur or any Event of Default is continuing, the Security Agent may, and is hereby irrevocably authorised on behalf of the Obligor and the Subordinated Party to:
 - (i) take any Enforcement Action in relation to the Subordinated Debt;
 - (ii) demand, claim, enforce and prove for the Subordinated Debt;
 - (iii) file claims and proofs, give receipts and take any proceedings in respect of filing such claims or proofs and do anything which the Security Agent reasonably considers necessary or desirable to recover the Subordinated Debt; and
 - (iv) receive all distributions of the Subordinated Debt for application first against the Secured Liabilities in accordance with the order and priority set forth in the Intercreditor Agreement.
- (b) If and to the extent that the Security Agent is not entitled, or elects not, to take any of the action mentioned in paragraph (a) above, the Subordinated Party will do so promptly on request by the Security Agent.

7.3 Distributions

If an Insolvency Event or Insolvency Proceedings occur, the Subordinated Party will:

- (a) hold all payments and distributions in cash or in kind received or receivable by it in respect of the Subordinated Debt on trust for the Security Agent and promptly pay the same for application first against the Secured Liabilities in accordance with the order and priority set forth in the Intercreditor Agreement;
- (b) within three Business Days of demand by Security Agent, pay an amount equal to any Subordinated Debt owing to it and discharged by set-off or otherwise to the Security Agent for application in accordance first against the Secured Liabilities in accordance with the order and priority set forth in the Intercreditor Agreement;
- (c) promptly direct the trustee in bankruptcy, liquidator, assignee or other person distributing the assets of the Obligor or their proceeds to pay any and all distributions in respect of the Subordinated Debt directly to the Security Agent; and
- (d) promptly undertake any action requested by the Security Agent to give effect to this clause 7.3.

7.4 Voting

- (a) If an Insolvency Event or Insolvency Proceedings occur:
 - (i) the Security Agent may, and is hereby irrevocably so authorised on behalf of the Subordinated Party, to exercise all powers of convening meetings, voting and representation in respect of the Subordinated Debt; and
 - (ii) the Subordinated Party shall promptly execute and/or deliver to the Security Agent such forms of proxy and representation as it may require to facilitate any such action.
- (b) If and to the extent that the Security Agent is not entitled, or elects not, to exercise a power under paragraph (a) above, the Subordinated Party will:
 - (i) exercise that power in such manner as the Security Agent directs; and
 - (ii) exercise that power so as not to impair the ranking and/or subordination contemplated by this Deed.

8. PROTECTION OF SUBORDINATION

8.1 Continuing subordination

The subordination provisions in this Deed shall remain in full force and effect by way of continuing subordination and shall not be affected in any way by any intermediate payment or discharge in whole or in part of the Secured Liabilities.

8.2 Waiver of defences

Neither the subordination in this Deed nor the obligations of the Obligor or the Subordinated Party shall be affected in any way by an act, omission, matter or thing which, but for this clause 8, would reduce, release or prejudice the subordination or any of those obligations in whole or in part, including, without limitation, the following:

- (a) any time, waiver or consent granted to, or composition with, any person;
- (b) the release of any person under the terms of any composition or arrangement with any creditor of any person;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any person;
- (e) any amendment, novation, supplement, extension (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatever nature) or replacement of any Finance Document or any other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security;
- (g) any insolvency or similar proceedings; or
- (h) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of any person under any Finance Document resulting from any insolvency, liquidation or dissolution proceedings or from any law, regulation or order.

8.3 Immediate recourse

The Subordinated Party waives any right it may have of first requiring the Security Agent (or any other trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person claiming the benefit of this Deed. The Security Agent may refrain from applying or enforcing any money, rights or security.

8.4 Appropriations

The Security Agent (or any trustee or agent on its behalf) may, subject to its obligations under this Deed:

- (a) apply any moneys or other assets received or recovered by it under this Deed or from any person against the Secured Liabilities, in accordance with the order and priority set forth in the Intercreditor Agreement;
- (b) apply any moneys or other assets received or recovered by it from any person (other than any moneys or other assets received or recovered under the applicable Finance Documents or under this Deed) against any liability of the relevant person to it other than the Secured Liabilities owed to it; and
- (c) unless or until such moneys or other assets received or recovered by it under the applicable Finance Documents or under this Deed in aggregate are sufficient to end the Subordination Period if otherwise applied in accordance with the provisions of this Deed, hold in an interest-bearing suspense account any moneys or other assets received from any person.

9. PRESERVATION OF DEBT**9.1 Preservation of Subordinated Debt**

Notwithstanding any term of this Deed postponing, subordinating or preventing the payment of all or any part of the Subordinated Debt, the Subordinated Party shall, as between the Obligor and the Subordinated Party, be deemed to remain owing or due and payable (and interest, default interest or indemnity payments shall continue to accrue) in accordance with the Subordinated Documents.

9.2 No liability

The Security Agent will have no liability to the Obligor or to the Subordinated Party for any act, default, or omission in relation to the manner of exercise or any non-exercise of its rights, remedies, powers, authorities or discretions under this Deed or any failure to collect or preserve any Subordinated Debt or delay in doing so.

10. SUBROGATION

If any of the Secured Liabilities are wholly or partially paid out of any proceeds received in respect of or on account of the Subordinated Debt, the Subordinated Party will to that extent be subrogated to the Secured Liabilities so paid (and all securities and guarantees for those Secured Liabilities), but not before the expiry of the Subordination Period.

11. NO OBJECTION BY SUBORDINATED PARTY

The Subordinated Party is deemed to consent to, and the Subordinated Party shall not have any claim or remedy against the Obligor or any Secured Party by reason of:

- (a) the entry by any of them into any Finance Document or any other agreement between any Secured Party and the Obligor;
- (b) any waiver or consent given by any Secured Party under any Finance Document or any such other agreement; or
- (c) any requirement or condition imposed by or on behalf of any Secured Party under any Finance Document or any such other agreement,

from time to time which breaches or causes an event of default or potential event of default (however described) under any Subordinated Document.

12. POWER OF ATTORNEY

- (a) During the Subordination Period, the Subordinated Party, by way of security for the obligations of the Subordinated Party under this Deed, irrevocably appoints Security Agent as its attorney (with full power of substitution and delegation), on its behalf and in its name or otherwise as its act and deed, and in such manner as the attorney thinks fit to do anything which the Subordinated Party is obliged to do under this Deed but has not done, and the taking of action by the attorney shall (as between it and any third party) be conclusive evidence of its right to take such action.

- (b) The Subordinated Party ratifies and confirms and agrees to ratify and confirm everything that such attorney does or purports to do in the exercise or purported exercise of the power of attorney granted by it in this clause 12.

13. NEW MONEY

The Subordinated Party agrees and acknowledges that the Secured Parties may, at their discretion, increase any amounts payable or make further advances under the Finance Documents and/or make further facilities available to a Borrower. Any such increased payments, further advances and/or additional facilities will be deemed to be made under the terms of the Finance Documents.

14. FAILURE OF TRUSTS

If any trust intended to arise pursuant to any provision of this Deed fails or for any reason (including the laws of any jurisdiction in which any assets, moneys, payments or distributions may be situated) cannot be given effect to, the Subordinated Party will pay to the Security Agent for application against the Secured Liabilities an amount equal to the amount (or the value of the relevant assets) intended to be so held on trust for the Security Agent.

15. TRUSTS

- (a) The Security Agent shall hold the benefit of this Deed upon trust for itself and the other relevant Secured Parties.
- (b) The perpetuity period of the trusts created under this Deed shall be 125 years.

16. NON-CREATION OF CHARGE

No provision of this Deed is intended to or shall create a charge or other security.

17. CERTIFICATES AND DETERMINATIONS

Any certification or determination by the Security Agent of a rate or amount under this Deed will be, in the absence of manifest error, conclusive evidence of the matters to which it relates.

18. CHANGES TO THE PARTIES

18.1 The Obligor and the Subordinated Party

Neither the Obligor nor the Subordinated Party may assign or transfer any of its rights or obligations under this Deed without prior written consent of the Security Agent.

18.2 The Security Agent

- (a) The Security Agent may assign or otherwise dispose of all or any of its rights under this Deed as permitted under the Finance Documents.
- (b) References in this Deed to the Security Agent include any successor in title and assigns or any person appointed as an additional trustee for the purposes of and in accordance with the Intercreditor Agreement.

19. INFORMATION

19.1 Defaults

The Subordinated Party will notify the Security Agent of the occurrence of an event of default or potential event of default (however described) under or breach of any Subordinated Document, promptly upon becoming aware of it.

19.2 Amounts of Subordinated Debt

The Subordinated Party will, on request by the Security Agent from time to time notify it of details of the amount of outstanding Subordinated Debt.

20. NOTICES**20.1 Communications in writing**

Any communication or document to be made or delivered under or in connection with this Deed shall be made in writing and, unless otherwise stated, may be made or delivered by fax or letter.

20.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication or document to be made or delivered under or in connection with this Deed is that identified in accordance with the terms of this Agreement (or in the case of the Subordinated Party, the Finance Documents to which it is a party) or otherwise as notified to the other parties on the date of this Deed, or any substitute address, fax number or department or officer as the party notifies to the other parties by not less than five Business Days' notice.

20.3 Delivery

Any communication or document made or delivered by one person to another under or in connection with this Deed will only be effective:

- (a) if by way of fax, when received in legible form; or
- (b) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under clause 20.2 (*Addresses*), if addressed to that department or officer.

20.4 English language

Any notice given under or in connection with this Deed must be in English.

21. REMEDIES AND WAIVERS

No delay or omission by the Security Agent in exercising any right provided by law or under this Deed shall impair, affect, or operate as a waiver of, that or any other right. The single or partial exercise by the Security Agent of any right shall not, unless otherwise expressly stated, preclude or prejudice any other or further exercise of that, or the exercise of any

other, right. The rights of the parties under this Deed are in addition to and do not affect any other rights available to them by law.

22. PARTIAL INVALIDITY

- (a) If, at any time, any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions under the law of that jurisdiction or any other jurisdiction will in any way be affected or impaired.
- (b) The parties shall enter into good faith negotiations, but without any liability whatsoever in the event of no agreement being reached, to replace any illegal, invalid or unenforceable provision with a view to obtaining the same commercial effect as this Deed would have had if such provision had been legal, valid and enforceable.

23. AMENDMENTS

No amendment may be made to this Deed (whether in writing or otherwise) without the prior written consent of the parties to this Deed.

24. COUNTERPARTS

This Deed may be executed in any number of counterparts, and by the parties on separate counterparts, but will not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Deed, but all the counterparts will together constitute one and the same instrument.

25. EXECUTION AS A DEED

Each of the parties to this Deed intends it to be a deed and confirms that it is executed and delivered as a deed, in each case notwithstanding the fact that any one or more of the parties may only execute it under hand.

26. ENFORCEMENT**26.1 Jurisdiction**

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute regarding the existence, validity or termination of this Deed and any non-contractual obligations arising out of or in connection with this Deed) (a "**Dispute**").
- (b) The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no party will argue to the contrary.
- (c) This clause 26.1 is for the benefit of the Security Agent only. As a result, the Security Agent shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Security Agent may take concurrent proceedings in any number of jurisdictions.
- (d) The Subordinated Party agrees that it will not take proceedings relating to a Dispute in relation to the Subordinated Debt in any other courts with jurisdiction.

26.2 Service of process

(a) Without prejudice to any other mode of service allowed under any relevant law the Subordinated Party (which is not incorporated in England and Wales) irrevocably appoints [*name*] of [*address*] as its agent for service of process in relation to any proceedings before the English courts in connection with this Deed.

(b) The Subordinated Party agrees that failure by a process agent to notify the relevant party of the process will not invalidate the proceedings concerned.

27. FURTHER ASSURANCE

Each of the Obligor and the Subordinated Party agrees that it will promptly, at the direction of the Security Agent (acting reasonably), execute and deliver at its own expense any document (to be executed as a deed or under hand) and do any act or thing in order to confirm or establish the validity and enforceability of the subordination effected by, and the obligations of the Obligor and the Subordinated Party under, this Deed.

28. GOVERNING LAW

This Deed is governed by and is to be construed in accordance with English law. Any matter, claim or dispute arising out of or in connection with this Deed, whether contractual or non-contractual, is to be governed by and construed in accordance with English law.

IN WITNESS of which this document has been executed as a deed and delivered on the date stated at the beginning of this Deed.

Executed and Delivered as a Deed by [name of Obligor] in the presence of:)
)
)

Per: _____
Title: Director/Attorney-in-Fact
Name:

Witness's Signature

(Name) __
Address __
Signature __

Executed as a deed **BNP PARIBAS**
acting by [a director and its
[secretary/two directors]]

Director

[Secretary/Director]

[Address:
Fax Number:
Department:
Attention:]

Executed as a deed [name of Subordinated Party] acting by [a
director and its [secretary/two directors]]

Director

[Secretary/Director]

[Address:
Fax Number:
Department:
Attention:]

Schedule 15

Part I
Form of Sources and Uses Statement

"A" is the aggregate of:	\$ 000's	"B" is the aggregate of:	\$ 000's
Net Cash Flow minus Facility debt service (ds) for next 12 months as derived from latest Forecast		committed exploration and appraisal costs for next 12 month period, not included in Net Cash Flow calculation, for all Obligors	
Net free cash-flows after ds for next 12 month period from KEO assets other than the Borrowing Base Assets from corporate cash-flow model in respect of the Obligors using same economic assumptions as in Forecast		committed development costs, not included in Net Cash Flow calculation, for the next 12 months for all Obligors	
Cash balance of Obligors excluding balances of accounts used as collateral for Secured LCs or other specific purposes (other than such balances securing amounts taken into account in "B")		payment obligations under rigs contracts or other similar operational contracts, for the next 12 months, not included in the Net Cash Flow, for all Obligors	
Total Available Facility Amount less Relevant Capital Expenditures		payment obligations under a sale and purchase agreement in the context of an acquisition or otherwise, not included in the Net Cash Flow, for all Obligors for the next 12 months	
		any off balance sheet or contingent liability as per the capital commitments noted in the latest consolidated financials for KEO which could reasonably be expected to entail a cash outflow for the next 12 months	
Any other committed undrawn and uncanceled amount available under any other external finance source of KEO		approximate dividends or other shareholder payments projected to be paid by the Obligors for the next 12 months	
Amount provided by a person/persons to KEO or Obligors made available for the purpose of meeting projected liabilities unrelated to the Borrowing Base Assets that the Facility Agent is satisfied will be available		scheduled and default interest, fees, costs and expenses related to the Revolving Credit Facility and HY Notes otherwise referred to as Scheduled KEL Debt Payments over the next 12 months	

		any other material committed liability for the next 12 months period including any guarantee, indemnity or other contingent liability, which could be reasonably be expected to entail a cash outflow for the next 12 month period	
TOTAL ALL OBLIGORS		TOTAL ALL OBLIGORS	

Schedule 15

Part II
Form of Liquidity Statement

"A" is the aggregate of:	\$ 000's	"B" is the aggregate of:	\$ 000's
Net Cash Flow minus Facility debt service (ds) for next 12 months as derived from latest Forecast		committed exploration and appraisal costs for next 12 month period, not included in Net Cash Flow calculation, for KEO and its subsidiaries	
Net free cash-flows after ds for next 12 month period from KEO assets other than the Borrowing Base Assets from corporate cash-flow model in respect of all Obligor using same economic assumptions as in Forecast		committed development costs, not included in Net Cash Flow calculation, for the next 12 months for KEO and its subsidiaries	
Cash balance of KEO and its subsidiaries excluding balances of accounts used as collateral for Secured LCs or other specific purposes (other than such balances securing amounts taken into account in "B")		payment obligations under rigs contracts or other similar operational contracts, for the next 12 months, not included in the Net Cash Flow, for KEO and its subsidiaries	
Total Available Facility Amount less Relevant Capital Expenditures		payment obligations under a sale and purchase agreement in the context of an acquisition or otherwise, not included in the Net Cash Flow, for KEO and its subsidiaries for the next 12 months	
		any off balance sheet or contingent liability as per the capital commitments noted in the latest consolidated financials for KEO which could reasonably be expected to entail a cash outflow for the next 12 months	
Any other committed undrawn and uncanceled amount available under any other external finance source of KEO		approximate dividends or other shareholder payments projected to be paid by KEO and/or its subsidiaries for the next 12 months	

Amount provided by a person/persons to KEO or Obligors made available for the purpose of meeting projected liabilities unrelated to the Borrowing Base Assets that the Facility Agent is satisfied will be available (including amounts available to be drawn under RCF)		scheduled and default interest, fees, costs and expenses related to the Revolving Credit Facility and HY Notes otherwise referred to as Scheduled KEL Debt Payments over the next 12 months	
		any other material committed liability for the next 12 months period including any guarantee, indemnity or other contingent liability, which could be reasonably be expected to entail a cash outflow for the next 12 month period	
TOTAL KEO AND ITS SUBSIDIARIES		TOTAL KEO AND ITS SUBSIDIARIES	

Schedule 2
Schedule of Insurances

1. INSURANCE COVER**1.1 Scope and Duration of Insurances**

Each Obligor shall, insofar as it is applicable to that Obligor's business, maintain, as a Named Insured, those insurances set out in Part 1 of the Appendix to this Schedule (the "**Third Party Insurances**") and Part 2 of the Appendix to this Schedule (the "**First Party Insurances**") (together the "**Insurances**").

The obligation to maintain and procure insurance shall exclude any insurance to the extent that the cover to be maintained is not available on reasonable commercial terms or no longer reflects insurance which would be implemented and maintained in accordance with good international offshore oil industry practice or ceases to be generally available in the market.

(A) Legal or Contractual Requirements

Without prejudice to the other provisions of this Schedule and any other provisions of the Restated Facility Agreement, the relevant Obligor shall effect and maintain in full force and effect those Insurances which it is required to effect from time to time by any applicable law or by the terms of any Project Agreement to which it is, at any time, a party.

(B) Supplementary Insurance

Any Obligor may, at any time, effect such other insurances ("**Supplementary Insurances**") in addition to or supplementing those referred to elsewhere in this Schedule in accordance with prudent industry practice provided that such Supplementary Insurances shall not adversely affect any insured party's rights or ability to recover under the Insurances and Project Reinsurances (as defined below).

1.2 Actions of the Finance Parties

For the purpose of this Schedule, any Finance Party who is required to take any action or exercise any discretion under this Schedule shall act reasonably and in good faith and in consultation with the Original Borrower.

1.3 Finance Party Beneficiary as Additional Assureds

In respect of the Third Party Insurances and Project Reinsurances (as defined below) in respect of Third Party Insurances, the Security Agent's and the Finance Parties' officers, directors, shareholders, agents, employees and servants shall be an additional assured (each a "**Finance Party Beneficiary**") and together the "**Finance Party Beneficiaries**"), in each case, for its rights and interests (other than insurances for risks associated with motor vehicle insurances or workers' compensation/employer's liability insurances).

1.4 Loss Payable Arrangements

Each First Party Insurance policy shall contain a loss payable clause (and, with respect to Project Reinsurances (as defined below) a loss payable/cut-through) in the form set out in Appendix 2 below, or in any form agreed between the Original Borrower and the Security Agent (acting reasonably).

1.5 Application of Loss Proceeds

All loss proceeds received by an Obligor are to be dealt with in accordance with Clause 10.5 of the Restated Facility Agreement (*Insurance Receipts*).

1.6 Assignment of Insurance

Please refer to the Security Documents as regards the assignment of the Insurances and the respective notices.

2. ADDITIONAL OBLIGOR REQUIREMENTS

2.1 Placement of Insurances

- (A) The Obligors shall only place Insurances with underwriters and insurance companies constituted under the laws of locations where that Obligor is operating, or who are carrying on in insurance business under the laws of locations where that Obligor is operating (each a "**Local Insurer**"), where (and only for so long as) it is required to do so under any applicable local law.
- (B) Subject to paragraph (A), each Obligor shall procure that each Insurance shall be placed with insurers or reinsurers other than Local Insurers (each such insurer an "**International Insurer**") with a minimum rating of A - X by AM Best, A by Standard and Poor's or a similarly reputable international rating agency, or to be otherwise reasonably acceptable to the Technical Bank (acting reasonably).

2.2 Provisions Common to all Project Reinsurances

Any reinsurances to be placed with International Insurers from time to time (the "**Project Reinsurances**") shall be effected in accordance with the provisions of this Schedule and will provide cover on the same terms and subject to the same conditions as the Insurance to which it relates.

3. GENERAL REQUIREMENTS

3.1 Status of Insurers

The Original Borrower shall procure that the Insurances are (i) effected and maintained only with underwriters or insurance companies (including reinsurance companies) which are licensed or otherwise authorised to carry on and/or underwrite the category of insurance or reinsurance business which is to be undertaken, and (ii) other than in respect of Local Insurers, placed with insurance or reinsurance companies that have, or whose obligations are guaranteed by, a parent company that has an investment grade rating as referenced above in paragraph 2.1(B).

3.2 Compliance with Insurances

The relevant Obligor shall:

- (A) promptly and diligently perform and comply with the terms and conditions of each policy of Insurance (or, to the extent applicable, the Project Reinsurances);
- (B) ensure that no action is taken by it which might reasonably be foreseen to make any Insurance or Project Reinsurance void or voidable or suspended, impaired or

defeated or which may otherwise result in any sum paid out under any policy becoming repayable; and

- (C) maintain appropriate procedures for risk management and reporting.

3.3 Payment of Premiums

(A) **Premiums**

Each Obligor shall promptly pay all insurance premiums, fees and any other monies due and payable by it in respect of placing and maintaining the Insurances and the Project Reinsurances in full force and effect. Each Obligor shall, as far as it is able by exercising rights under the Insurances, use its reasonable endeavours to ensure that all International Insurers are promptly paid by local Insurers.

(B) **Payment of Premiums in Default**

If any Obligor fails to comply with any of its obligations to pay any premium, fees or other moneys, the Security Agent may (but shall not be obliged to) make such payment. The Original Borrower shall reimburse the Security Agent all monies paid by it promptly upon demand.

3.4 Information as to Insurances and Reinsurances

(A) **Provision of Information**

The Original Borrower shall, upon written request, give (and shall use reasonable endeavours to procure that the operator and each broker through whom any Insurances or Project Reinsurance are maintained or effected gives) to the Security Agent such material information relating to the Insurances as the Security Agent or Lenders may reasonably request including, without limitation, copies of all cover notes, endorsements, slips and policies relating thereto and evidence of the status of the underwriters and insurance companies with whom such Insurances or Project Reinsurances are placed. Such provision of information is to include all material information (as reasonably requested by the Security Agent or Lenders).

(B) **Notification**

The Original Borrower shall promptly upon becoming aware of the same notify the Security Agent of any event or circumstance which might cause any policy to lapse or become invalid.

4. PLACING OF INSURANCES AND REINSURANCES BY FINANCE PARTY BENEFICIARIES

If at any time and for any reason any Insurances or Project Reinsurances or terms, conditions and endorsements required to be maintained pursuant to this Schedule shall not be in full force and effect for any reason then, without prejudice to any rights of any of the Finance Party Beneficiaries, the Security Agent shall be entitled (but not obliged) to procure on behalf of itself and the other Finance Party Beneficiaries such insurance (and, if applicable, reinsurance) or commercially reasonable (as reasonably determined by the Technical Bank and the Original Borrower) insurance alternatives. The cost of purchasing insurances or reinsurances pursuant to this paragraph shall be at the expense of the Original Borrower.

Appendix 1 Minimum Insurance Requirements

General

Each Obligor shall, insofar as it is applicable to that Obligor's business, maintain or cause to be maintained insurance covering worldwide activity including, where applicable or required by law, with all policy terms and conditions to be consistent with good international offshore oil industry practice (including in respect of the amount insured) as available in the market at the time for similar activities and operations, the following Agreed Insurances:

Part 1: Third Party Insurances

Worker's Compensation and Employer's Liability:

To the extent applicable, Worker's Compensation as required by law in the jurisdiction or jurisdictions in which the relevant Obligor operates and Employer's Liability, or equivalent, indemnifying an Obligor for liability arising out of death or injury to persons employed by that Obligor, disease or occurrence and including coverage for maritime exposures and any other requirements by law.

Commercial Liability:

Insurance for an Obligor's liability arising out of claims for personal injury (including bodily injury and death) and property damage. Such insurance shall provide coverage for products-completed operations, blanket contractual, explosion, collapse and underground coverage, broad form property damages, personal injury insurance, independent contractors and pollution liability. Unless insured separately, such cover shall include charterer's legal liability insurance and, if any exposure, aircraft liability insurance on all owned, leased and non-owned aircraft.

Automobile Liability:

To the extent exposure exists, liability coverage on all owned, hired and non-owned vehicles, with a limit as required by law in the relevant jurisdiction.

Part 2: First Party Insurances

Energy Package:

Covering Control of Well/Operators Extra Expense, Offshore Storage and Transit and (if exposure), Offshore Construction (other than as covered by the above policies, and only if declared), Physical Damage to properties and/or facilities and Business Interruption (if obtained).

Coverage Extensions to include:

Insurance for Control of Well, Redrilling and Restoration due to blowout and/or cratering above or below surface, and Seepage and Pollution Liability coverage including cleanup and containment, Cargo (if any exposure) and Care Custody and Control Insurance and insurance for Physical Damage on an "all risks" (including Sabotage & Terrorism as well as War risks) basis subject to standard market exclusions.

Deductibles/Self Insured retentions shall not be greater than US\$10,000,000 (and, with respect to any Business Interruption insurance, if obtained, with a deductible waiting period of 90 days) scaled

to interest, per occurrence, or such higher amount as may be approved by the Technical Bank in consultation with the relevant Obligor (each acting reasonably).

**Appendix 2
Loss Payee Clause**

Losses and returns of premiums payable to:

Named Insureds in respect of first party Or to their order

Notwithstanding, in the event of a loss in excess of USD100,000,000 (Obligor's interest) of the property insured, the insurance proceeds in respect of the Named Insured's share shall be paid without further obligation to the Security Trustee on behalf of the Finance Parties per the following:

Bank Name: XXXXXXXXXX

Bank Address: XXXXXXXXXXXXXXX

Account Name: XXXXXXXX [to be an Insurance Proceeds Account]

Account Number: XXXXXXXXXXXXXXX

or to its order.

It being understood and agreed that any such payment by Re/Insurers shall fully discharge and release Re/Insurers from any and all further liability in connection herewith.

All other insured losses in excess of USD10,000,000 (100%) and less than USD100,000,000 (Obligor's interest) (if any) shall be paid to the Insureds as their interests may appear. However all insured losses payable under Loss of Production Income section of the Policy, irrespective of the amount of indemnity, shall be paid to Kosmos Energy Finance International and Kosmos Energy Operating (as advised by the Insured). Payment shall be made under this provision notwithstanding any bankruptcy, insolvency, liquidation or dissolution of the Obligor.

**Schedule 3
Lenders****Part 1
Exiting Lenders**

Bank of America, N.A.

Barclays Bank of Ghana Limited

BNP Paribas

Credit Suisse International

DNB (UK) Limited

ING Bank N.V.

International Finance Corporation

Investec Asset Management Proprietary Limited (acting as agent for and on behalf of its clients)

Nedcap International Limited

SGBTCl

The Standard Bank of South Africa Limited

Sumitomo Mitsui Banking Corporation

**Part 2
New Lenders**

Bank of America Merrill Lynch International Limited

Bank of Montreal, London Branch

ING Belgium SA/NV

N.B.S.A. Limited

Rand Merchant Bank, a division of FirstRand Bank Limited (London Branch)

Société Générale, London Branch

The Standard Bank of South Africa Limited, Isle of Man Branch

Sumitomo Mitsui Banking Corporation Europe Limited

Part 3
Continuing Lenders

ABSA Bank Limited (acting through its corporate and investment banking division)

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Citibank N.A., London Branch

Crédit Agricole Corporate and Investment Bank

HSBC Bank Plc

Natixis

Standard Chartered Bank

**Schedule 4
Hedging Counterparties**

**Part 1
Continuing Hedging Counterparties**

ABSA Bank Limited (acting through its corporate and investment banking division)

BNP Paribas

Credit Suisse International

HSBC Bank Plc

Natixis

Société Générale

Standard Chartered Bank

**Part 2
New Hedging Counterparties**

Merrill Lynch International

Bank of Montreal, London Branch

Citibank N.A., London Branch

Crédit Agricole Corporate and Investment Bank

ING Capital Markets LLC

Nedbank Limited

The Standard Bank of South Africa Limited

Schedule 5
New Security Documents

English law

1. Charge over Shares in KEEG
2. Charge over Shares in EG JV Holdco
3. KEEG Offshore Security Assignment
4. Supplemental security assignment and debenture between KED and the Security Agent
5. Supplemental security assignment and debenture between KEI and the Security Agent
6. Supplemental security assignment and debenture between KEO and the Security Agent
7. Supplemental Borrower Offshore Security Assignment
8. Supplemental security assignment between KEI, KEO and the Security Agent
9. Supplemental charge over shares in KED between KEI and the Security Agent;
10. Supplemental charge over shares in KEG between KED and the Security Agent
11. Supplemental charge over shares in KEI between KEO and the Security Agent
12. Supplemental limited recourse charge over shares in KEO between KEH as chargor, KEO and the Security Agent
13. Supplemental charge over shares in the Original Borrower between KEI and the Security Agent

Schedule 6
Parallel Obligation (Covenant to pay the Security Agent)

11.23 Parallel Obligation (Covenant to pay the Security Agent)

- (A) Notwithstanding any other provision of this Agreement, for the purposes of any Relevant Security Document, each Affected Obligor hereby irrevocably and unconditionally undertakes to pay to the Security Agent, as creditor in its own right and not as representative of the other Finance Parties, sums equal to and in the currency of each amount payable by any Obligor to each of the Finance Parties under each of the Finance Documents as and when that amount falls due for payment under the relevant Finance Document or would have fallen due for payment under the relevant Finance Document or would have fallen due but for any discharge resulting from failure of another Finance Party to take appropriate steps, in insolvency proceedings affecting the Affected Obligor, to preserve such Finance Party's entitlement to be paid that amount (the "**Parallel Obligation**").
- (B) The Security Agent shall have its own independent right to demand payment of the amounts payable by any Affected Obligor under this Clause 11.23 irrespective of any discharge of the Affected Obligor's obligation to pay those amounts to the other Finance Parties resulting from failure by them to take appropriate steps, in insolvency proceedings affecting the Affected Obligor, to preserve their entitlement to be paid those amounts.
- (C) Any amount due and payable by any Affected Obligor to the Security Agent under this Clause 11.23 shall be decreased to the extent that the other Finance Parties have received (and are able to retain) payment in full of the corresponding amount under the other provisions of the Finance Documents and any amount due and payable by any Affected Obligor to the other Finance Parties under those provisions shall be decreased to the extent that the Security Agent has received (and is able to retain) payment in full of the corresponding amount under this Clause 11.23.
- (D) The rights of the Finance Parties (other than the Security Agent) to receive payment of amounts payable by any Affected Obligor under the Finance Documents are several and are separate and independent from, and without prejudice to, the rights of the Security Agent to receive payment under this Clause 11.23.
- (E) All monies received or recovered by the Security Agent pursuant to this Clause 11.23 and enforcement proceeds received or recovered by the Security Agent pursuant to this Clause 11.23 shall be applied by the Security Agent in accordance with this Agreement.
- (F) For the purposes of this Clause 11.23:
- (i) "**Affected Obligor**" refers to any Obligor which is a party to a Relevant Security Document; and
 - (ii) "**Relevant Security Document**" means any Security Document governed by the laws of (i) Mauritania or (ii) any other relevant jurisdiction identified by the Security Agent and notified to all the other Parties.

SIGNATORIES

Borrowers

Executed and Delivered as a Deed by **KOSMOS ENERGY FINANCE**)
INTERNATIONAL acting by Andrew Johnson who, in accordance with)
the laws of the territory in which Kosmos Energy Finance International is)
incorporated, is acting under the authority of Kosmos Energy Finance)
International)

/s/ Andrew Johnson

(Authorised signatory)

Executed and Delivered as a Deed by **KOSMOS ENERGY SENEGAL**)
acting by Andrew Johnson who, in accordance with the laws of the)
territory in which Kosmos Energy Senegal is incorporated, is acting)
under the authority of Kosmos Energy Senegal)

/s/ Andrew Johnson

(Authorised signatory)

Executed and Delivered as a Deed by **KOSMOS ENERGY**)
MAURITANIA acting by Andrew Johnson who, in accordance with the)
laws of the territory in which Kosmos Energy Mauritania is incorporated,)
is acting under the authority of Kosmos Energy Mauritania)

/s/ Andrew Johnson

(Authorised signatory)

Original Guarantors and New Guarantors

Executed and Delivered as a Deed by **KOSMOS ENERGY**)
OPERATING acting by **Andrew Johnson** who, in accordance with the)
laws of the territory in which Kosmos Energy Operating is incorporated,)
is acting under the authority of Kosmos Energy Operating)

/s/ Andrew Johnson

(Authorised signatory)

Executed and Delivered as a Deed by **KOSMOS ENERGY**)
INTERNATIONAL acting by **Andrew Johnson** who, in accordance with)
the laws of the territory in which Kosmos Energy International is)
incorporated, is acting under the authority of Kosmos Energy)
International

/s/ Andrew Johnson

(Authorised signatory)

Executed and Delivered as a Deed by **KOSMOS ENERGY**)
DEVELOPMENT acting by **Andrew Johnson** who, in accordance with)
the laws of the territory in which Kosmos Energy Development is)
incorporated, is acting under the authority of Kosmos Energy)
Development

/s/ Andrew Johnson

(Authorised signatory)

Executed and Delivered as a Deed by **KOSMOS ENERGY GHANA HC**)
acting by **Andrew Johnson** who, in accordance with the laws of the)
territory in which Kosmos Energy Ghana HC is incorporated, is acting)
under the authority of Kosmos Energy Ghana HC)

/s/ Andrew Johnson

(Authorised signatory)

Executed and Delivered as a Deed by **KOSMOS ENERGY FINANCE**)
INTERNATIONAL acting by **Andrew Johnson** who, in accordance with)
the laws of the territory in which Kosmos Energy Finance International is)
incorporated, is acting under the authority of Kosmos Energy Finance)
International

/s/ Andrew Johnson

(Authorised signatory)

Executed and Delivered as a Deed by **KOSMOS ENERGY**)
EQUATORIAL GUINEA acting by **Andrew Johnson** who, in)
accordance with the laws of the territory in which Kosmos Energy)
Equatorial Guinea is incorporated, is acting under the authority of)
Kosmos Energy Equatorial Guinea

/s/ Andrew Johnson

(Authorised signatory)

Executed and Delivered as a Deed by **KOSMOS ENERGY**)
INVESTMENTS SENEGAL LIMITED acting by **Andrew Johnson** as a)
director/attorney for Kosmos Energy Investments Senegal Limited in the)
presence of:)

Per: /s/ Andrew Johnson

Title: Director / Attorney-in-Fact

Name: Andrew Johnson

/s/ Wendy Hoo-Sue

Witness's Signature

(Name) Wendy Hoo-Sue

(Address) 4th Floor, Century Yard , Cricket Square, Elgin Avenue, George Town, Grand Cayman, Cayman Islands

(Occupation) Senior Vice President

Executed and Delivered as a Deed by **KOSMOS ENERGY**)
SENEGAL acting by **Andrew Johnson** who, in accordance with the)
laws of the territory in which Kosmos Energy Senegal is incorporated, is)
acting under the authority of Kosmos Energy Senegal)

/s/ Andrew Johnson

(Authorised signatory)

Executed and Delivered as a Deed by **KOSMOS ENERGY**)
MAURITANIA acting by **Andrew Johnson** who, in accordance with the)
laws of the territory in which Kosmos Energy Mauritania is incorporated,)
is acting under the authority of Kosmos Energy Mauritania)

/s/ Andrew Johnson

(Authorised signatory)

Chargor

Executed and Delivered as a Deed by **KOSMOS ENERGY**)
HOLDINGS acting by **Andrew Johnson** who, in accordance with the)
laws of the territory in which Kosmos Energy Holdings is incorporated, is)
acting under the authority of Kosmos Energy Holdings)

/s/ Andrew Johnson

(Authorised signatory)

Successor Facility Agent

Executed by **STANDARD CHARTERED BANK:**

) Per: /s/ Paul Thompson
)
) Title: Global Head of Transaction Management Group
)
) Name: Paul Thompson
)
)
)

Onshore Account Bank

Executed by **STANDARD CHARTERED BANK:**

) Per: __
)
) Title:
)
) Name:
)
)
)

Successor Facility Agent

Executed by **STANDARD CHARTERED BANK:**

) Per: __
)
) Title:
)
) Name:
)
)
)

Onshore Account Bank

Executed by **STANDARD CHARTERED BANK:**

) Per: /s/ Xorse Godzi
)
) Title: COUNTRY HEAD, GLOBAL BANKING
)
) Name: Xorse Godzi
)
)
)

Retiring Facility Agent

Executed by **BNP PARIBAS:**

) Per: /s/ Alexandra ARHAB
)
) Title: Agency Relationship Manager
)
) Name: Alexandra ARHAB
)
)
)

) Per: /s/ Patrick TOUZEAU
)
) Title: Team Head
) Relationship Manager
)
) Name: Patrick TOUZEAU
)
)

Security Agent

Executed by **BNP PARIBAS:**

) Per: /s/ Alexandra ARHAB
)
) Title: Agency Relationship Manager
)
) Name: Alexandra ARHAB
)
)
)

) Per: /s/ Patrick TOUZEAU
)
) Title: Team Head
) Relationship Manager
)
) Name: Patrick TOUZEAU
)
)

Intercreditor Agent

Executed by **BNP PARIBAS:**

) Per: /s/ Alexandra ARHAB
)
) Title: Agency Relationship Manager
)
) Name: Alexandra ARHAB
)
)
)

) Per: /s/ Patrick TOUZEAU
)
) Title: Team Head
) Relationship Manager
)
) Name: Patrick TOUZEAU
)
)

Existing mandated lead arrangers

Executed by **ABSA BANK LIMITED (ACTING THROUGH ITS
CORPORATE AND INVESTMENT BANKING DIVISION):**

) Per: /s/ S S Webber
)
) Title: Authorised
)
) Name: S S Webber
)
)
)

) Per: /s/ T. Ehlers
)
) Title: Authorised
)
) Name: T. Ehlers
)
)
)

Executed by **BNP PARIBAS**:

) Per: /s/ Guillaume Venner
)
) Title: Managing Director
)
) Name: Guillaume Venner
)
)
)

) Per: /s/ Vincent Veron
)
) Title: Head of Metals & Mining EMEA
)
) Name: Vincent Veron
)
)
)

Executed by **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK:**

) Per: /s/ Matthieu DUHEM
)
) Title: Managing Director
) Head of Upstream Oil & Gas
)
) Name: Matthieu DUHEM
)
)

) Per: /s/ Hanane MSEFFER
)
) Title: Director
)
) Upstream Oil & Gas
)
) Name: Hanane MSEFFER

Executed by **HSBC BANK PLC:**

) Per: /s/ Stuart Lea
)
) Title: Managing Director
)
) Name: Stuart Lea
)
)
)

Executed by **SOCIÉTÉ GÉNÉRALE, LONDON BRANCH:**

) Per: /s/ Christophe CORNET
)
) Title: Director
)
) Name: Christophe CORNET
)
)
)

Executed by **STANDARD CHARTERED BANK:**

) Per: /s/ Ben Constable
)
) Title: MD, HEAD, LOAN SYND & DISTRIBUTION EUROPE & AFRICA
)
) Name: Ben Constable
)
)
)

New mandated lead arrangers

Executed by **ING BELGIUM SA/NV**:

) Per: /s/ Luc Missoorten
)
) Title: Program Manager Structured Finance
)
) Name: Luc Missoorten
)
)
)

) Per: /s/ T.F. Lapoutre
)
) Title: Director
)
) Name: T.F. Lapoutre
)
)
)

Executed by **NATIXIS**:

) Per: /s/ Sylvain Sarda
)
) Title: Head of Upstream Finance
)
) Name: Sylvain Sarda
)
)
)

) Per: /s/ Stanislas de COINTET
)
) Title: VP Upstream Finance
)
) Name: Stanislas de COINTET
)
)
)

Executed by **N.B.S.A. LIMITED:**

) Per: /s/ Kevin Ryder
)
) Title: Director
)
) Name: Kevin Ryder
)
)
)

) Per: /s/ David SIDGWICK
)
) Title: Director
)
) Name: David SIDGWICK
)
)
)

Executed by THE STANDARD BANK OF SOUTH AFRICA LIMITED,)
ISLE OF MAN BRANCH)
)
)
)
)
)
)
)
)

Per: /s/ Pablo Gonzalez-Spahr
Title: Executive
Name: Pablo Gonzalez-Spahr

Executed by **SUMITOMO MITSUI BANKING CORPORATION EUROPE**)
LIMITED:)

Per: /s/ Taku Kimura

) Title: Senior Executive Director

) Name: Taku Kimura

) Per: /s/ Takahiro Teranaka

) Title: Senior Executive Director

) Name: Takahiro Teranaka

Exiting Lenders

Executed by **BANK OF AMERICA, N.A.:**

) Per: /s/ Khairul Islam
)
) Title: Vice President
)
) Name: Khairul Islam
)
)
)

Executed by **BARCLAYS BANK OF GHANA LIMITED**

) Per: /s/ Ellen Ohane-Afoakwa
)
) Title: Corporate Director
)
) Name: Ellen Ohane-Afoakwa
)
)
)

Executed by **BNP PARIBAS**:

) Per: /s/ Guillaume Venner
)
) Title: Managing Director
)
) Name: Guillaume Venner
)
)
)

) Per: /s/ Vincent Veron
)
) Title: Head of Metals & Mining EMEA
)
) Name: Vincent Veron
)
)
)

Executed by CREDIT SUISSE INTERNATIONAL::

) Per: /s/ Brian Fitzgerald
)
) Title: Authorised Signatory
)
) Name: Brian Fitzgerald
)
)
)

) Per: /s/ ALISON HOWE
)
) Title: MANAGING DIRECTOR
)
) Name: ALISON HOWE
)
)
)

Executed by **DNB (UK) LIMITED:**

) Per: /s/ Candice Ryan
)
) Title: Authorised Signatory
)
) Name: Candice Ryan
)
)
)

) Per: /s/ David Hopwood
)
) Title: Authorised Signatory
)
) Name: David Hopwood
)
)
)

Executed by **ING BANK N.V.**:

) Per: /s/ Marten-Pieter van Harten
)
) Title: Director
)
) Name: Marten-Pieter van Harten
)
)
)

) Per: /s/ GüNEY ERTEK
)
) Title: DIRECTOR
)
) Name: GüNEY ERTEK
)
)
)

Executed by **INTERNATIONAL FINANCE CORPORATION:**

) Per: /s/ DeLanson D Crist
)
) Title: Global Head, Natural Resources
)
) Name: DeLanson D Crist
)
)
)

Executed by **INVESTEC ASSET MANAGEMENT PROPRIETARY LIMITED (ACTING AS AGENT FOR AND ON BEHALF OF ITS CLIENTS)**:

) Per: /s/ SIMON HOWIE
)
) Title: CO-HEAD FIXED INCOME
)
) Name: SIMON HOWIE
)
)
)

) Per: /s/ BILAL OSMAN LATIB
)
) Title: Legal Counsel
)
) Name: BILAL OSMAN LATIB
)
)
)

Executed by **NEDCAP INTERNATIONAL LIMITED:**

) Per: /s/ SALLEY ROTHWELL CALEY
)
) Title: DIRECTOR
)
) Name: SALLEY ROTHWELL CALEY
)
)
)

) Per: /s/ Andrew V Cody
)
) Title: Director
)
) Name: Andrew V Cody
)
)
)

Executed by **SGBTCl**

) Per: /s/ M. MOULET
)
) Title: Director
)
) Name: M. MOULET
)
)
)

Executed by **THE STANDARD BANK OF SOUTH AFRICA LIMITED**

) Per: /s/ Pablo Gonzalez-Spahr
)
) Title: Executive
)
) Name: Pablo Gonzalez-Spahr
)
)
)

Executed by **SUMITOMO MITSUI BANKING CORPORATION:**

) Per: /s/ Taku Kimura
)
) Title: Senior Executive Director
)
) Name: Taku Kimura
)
)
)

) Per: /s/ Takahiro Teranaka
)
) Title: Senior Executive Director
)
) Name: Takahiro Teranaka
)
)
)

New Lenders

Executed by **BANK OF AMERICA MERRILL LYNCH INTERNATIONAL**)
LIMITED:)

Per: /s/ Khairul Islam

) Title: Vice President

) Name: Khairul Islam

)
)
)

Executed by **BANK OF MONTREAL, LONDON BRANCH:**

) Per: /s/ Tom Woolgar
)
) Title: Managing Director, Corporate Banking
)
) Name: Tom Woolgar
)
)
)

) Per: /s/ Scott Matthews
)
) Title: Managing Director, CFO, EMEA
) BMO Financial Group
)
) Name: Scott Matthews
)
)

Executed by **ING BELGIUM SA/NV**:

) Per: /s/ Luc Missoorten
)
) Title: Program Manager Structured Finance
)
) Name: Luc Missoorten
)
)
)

) Per: /s/ T.F. Lapoutre
)
) Title: Director
)
) Name: T.F. Lapoutre
)
)
)

Executed by **N.B.S.A. LIMITED:**

) Per: /s/ KEVIN RYDER
)
) Title: DIRECTOR
)
) Name: KEVIN RYDER
)
)
)

) Per: /s/ DAVID SIDGWICK
)
) Title: DIRECTOR
)
) Name: DAVID SIDGWICK
)
)
)

Executed by **RAND MERCHANT BANK, A DIVISION OF FIRSTRAND**)
BANK LIMITED (LONDON BRANCH):)

Per: /s/ MARK TREAGUS

Title: AUTHORISED SIGNATORY

Name: MARK TREAGUS

) Per: /s/ RYAN GIROUX

) Title: AUTHORISED SIGNATORY

) Name: RYAN GIROUX

)
)
)

Executed by **SOCIÉTÉ GÉNÉRALE, LONDON BRANCH**

) Per: /s/ Christophe CORNET
)
) Title: Director
)
) Name: Christophe CORNET
)
)
)

Executed by THE STANDARD BANK OF SOUTH AFRICA LIMITED,)
ISLE OF MAN BRANCH)
)
)
)
)
)
)
)

Per: /s/ Pablo Gonzalez-Spahr
Title: Executive
Name: Pablo Gonzalez-Spahr

Executed by **SUMITOMO MITSUI BANKING CORPORATION EUROPE**)
LIMITED:)

Per: /s/ Taku Kimura

) Title: Senior Executive Director

) Name: Taku Kimura

) Per: /s/ Takahiro Teranaka

) Title: Senior Executive Director

) Name: Takahiro Teranaka

Continuing Lenders

Executed by **ABSA BANK LIMITED (ACTING THROUGH ITS
CORPORATE AND INVESTMENT BANKING DIVISION):**

) Per: /s/ S S Webber
)
) Title: Authorised
)
) Name: S S Webber
)
)
)

) Per: /s/ T. Ehlers
)
) Title: Authorised
)
) Name: T. Ehlers
)
)
)

Executed by **THE BANK OF TOKYO-MITSUBISHI UFJ, LTD:**

) Per: /s/ F.X. REIGNIER
)
) Title: Executive Director
)
) Name: F.X. REIGNIER
)
)
)

Executed by **CITIBANK N.A., LONDON BRANCH:**

) Per: /s/ MILOS STEFANOVIC
)
) Title: MANAGING DIRECTOR
)
) Name: MILOS STEFANOVIC
)
)
)

Executed by **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT**
BANK:

) Per: /s/ Matthieu DUHEM
)
) Title: Managing Director
) Head of Upstream Oil & Gas
)
) Name: Matthieu DUHEM
)
)

) Per: /s/ Hanane MSEFFER
)
) Title: Director
)
) Upstream Oil & Gas
)
) Name: Hanane MSEFFER

Executed by **HSBC BANK PLC:**

) Per: /s/ Stuart Lea
)
) Title: Managing Director
)
) Name: Stuart Lea
)
)
)

Executed by **NATIXIS**:

) Per: /s/ Sylvain Sarda
)
) Title: Head of Upstream Finance
)
) Name: Sylvain Sarda
)
)
)

) Per: /s/ Stanislas de COINTET
)
) Title: VP Upstream Finance
)
) Name: Stanislas de COINTET
)
)
)

Executed by **STANDARD CHARTERED BANK:**

) Per: /s/ Ben Constable
)
) Title: HD, HEAD, LOANS SYND & DISTRIBUTION EUROPE & AFRICA
)
) Name: Ben Constable
)
)
)

Continuing Hedging Counterparties

Executed by **ABSA BANK LIMITED (ACTING THROUGH ITS
CORPORATE AND INVESTMENT BANKING DIVISION):**

) Per: /s/ S S Webber
)
) Title: Authorised
)
) Name: S S Webber
)
)
)

) Per: /s/ T. Ehlers
)
) Title: Authorised
)
) Name: T. Ehlers
)
)
)

Executed by **BNP PARIBAS**:

) Per: /s/ Guillaume Venner
)
) Title: Managing Director
)
) Name: Guillaume Venner
)
)
)

) Per: /s/ Vincent Veron
)
) Title: Head of Metals & Mining EMEA
)
) Name: Vincent Veron
)
)
)

Executed by **CREDIT SUISSE INTERNATIONAL**:

) Per: /s/ Brian Fitzgerald
)
) Title: Authorised Signatory
)
) Name: Brian Fitzgerald
)
)
)

) Per: /s/ ALISON HOWE
)
) Title: MANAGING DIRECTOR
)
) Name: ALISON HOWE
)
)
)

Executed by **HSBC BANK PLC:**

) Per: /s/ Stuart Lea
)
) Title: Managing Director
)
) Name: Stuart Lea
)
)
)

Executed by **NATIXIS**:

) Per: /s/ Marc Mourre
)
) Title: Managing Director
)
) Name: Marc Mourre
)
)
)

) Per: /s/ David Besancon
)
) Title: MD
)
) Name: David Besancon
)
)
)

Executed by **SOCIÉTÉ GÉNÉRALE, LONDON BRANCH**

) Per: /s/ Christophe CORNET
)
) Title: Director
)
) Name: Christophe CORNET
)
)
)

Executed by **STANDARD CHARTERED BANK:**

) Per: /s/ Martin Whitehead
)
) Title: Managing Director
)
) Name: Martin Whitehead
)
)
)

New Hedging Counterparties

Executed by **MERRILL LYNCH INTERNATIONAL:**

) Per: /s/ Vipul Kumar
)
) Title: Managing Director
)
) Name: Vipul Kumar
)
)
)

Executed by **BANK OF MONTREAL, LONDON BRANCH:**

) Per: /s/ Tom Woolgar
)
) Title: Managing Director, Corporate Banking
)
) Name: Tom Woolgar
)
)
)

) Per: /s/ Scott Matthews
)
) Title: Managing Director, CFO
) BMO Financial Group
)
) Name: Scott Matthews
)
)

Executed by **CITIBANK N.A., LONDON BRANCH:**

) Per: /s/ MILOS STEFANOVIC
)
) Title: MANAGING DIRECTOR
)
) Name: MILOS STEFANOVIC
)
)
)

Executed by **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK:**

) Per: /s/ Matthieu DUHEM
)
) Title: Managing Director
) Head of Upstream Oil & Gas
)
) Name: Matthieu DUHEM
)
)

) Per: /s/ Hanane MSEFFER
)
) Title: Director
)
) Upstream Oil & Gas
)
) Name: Hanane MSEFFER

Executed by **ING CAPITAL MARKETS LLC:**

) Per: /s/ Jesse Freeman
)
) Title: Vice President
)
) Name: Jesse Freeman
)
)
)

) Per: /s/ Michael K. Dwyer
)
) Title: Managing Director
)
) Name: Michael K. Dwyer
)
)
)

Executed by **NEDBANK LIMITED**:

) Per: /s/ Kevin Ryder

) Title: UK Country Head

) Name: Kevin Ryder

)
)
)

) Per: /s/ Christopher Coombs

) Title: Principal, Oil & Gas

) Name: Christopher Coombs

)
)
)

Executed by **THE STANDARD BANK OF SOUTH AFRICA LIMITED**

) Per: /s/ Pablo Gonzalez-Spahr
)
) Title: Executive
)
) Name: Pablo Gonzalez-Spahr
)
)
)

Offshore Account Bank

Executed by **HSBC BANK PLC:**

) Per: /s/ Carl Wickham
)
) Title: Authorised Signatory
)
) Name: Carl Wickham
)
)
)

Technical Bank

Executed by **SOCIÉTÉ GÉNÉRALE, LONDON BRANCH**

) Per: /s/ Christophe CORNET
)
) Title: Director
)
) Name: Christophe CORNET
)
)
)

Modelling Bank

Executed by **SOCIÉTÉ GÉNÉRALE, LONDON BRANCH**

) Per: /s/ Christophe CORNET
)
) Title: Director
)
) Name: Christophe CORNET
)
)
)

Certification of Chief Executive Officer

I, Andrew G. Inglis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kosmos Energy Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2018

/s/ ANDREW G. INGLIS

Andrew G. Inglis

Chairman of the Board of Directors and Chief Executive Officer

(Principal Executive Officer)

Certification of Chief Financial Officer

I, Thomas P. Chambers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kosmos Energy Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2018

/s/ THOMAS P. CHAMBERS

Thomas P. Chambers

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the accompanying quarterly report of Kosmos Energy Ltd. (the "Company") on Form 10-Q for the quarter ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew G. Inglis, Chairman of the Board of Directors and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2018

/s/ ANDREW G. INGLIS

Andrew G. Inglis

Chairman of the Board of Directors and Chief Executive Officer

(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the accompanying quarterly report of Kosmos Energy Ltd. (the "Company") on Form 10-Q for the quarter ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas P. Chambers, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2018

/s/ THOMAS P. CHAMBERS

Thomas P. Chambers

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.