

1. **THE GOVERNMENT OF THE DEMOCRATIC  
REPUBLIC OF SÃO TOMÉ & PRÍNCIPE**
  
2. **AQUA EXPLORATION LIMITED**
  
3. **PGS EXPLORATION (UK) LIMITED**

**CONTRACT AMENDMENT**

**No.: E-AF-RS0101-E&P-A1**

To

**EXPLORATION AND PRODUCTION OPTION**

**AGREEMENT**

**No.: E-AF-RS0101-E&P**

May 2003

This Contract Amendment E-AF-RS0101-E&P-A1 (the "Amendment") is made this 7th day of May 2003 (the "Effective Date of this Amendment"), between:

1. **THE GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF SÃO TOMÉ & PRÍNCIPE**, represented by the Ministro das Obras Publicas, Infrastruturas, Recursos Naturais e Ambiente, H. E. Joaquim Rafel Branco (the "Government"); and
2. **AQUA EXPLORATION LIMITED** (previously named Marlin Exploration Limited) a company incorporated in the Bahamas (Reg. No. 121500B) whose registered office address is at Lyford Manor, Lyford Cay, Nassau, Bahamas ("AQUA" which expression shall include its successors and permitted assigns); and
3. **PGS EXPLORATION(UK) LIMITED** a company incorporated in England (Reg No 2904391) whose registered office is at PGS Court, Halfway Green, Walton-on-Thames, Surrey KT12 1RS, England ("PGS" which expression shall include its successors and permitted assigns).

**RECITALS:**

**WHEREAS**, the Government and PGS entered into an Exploration and Production Option Agreement No. E-AF-RS0101-E&P dated 12<sup>th</sup> day of February 2001 (the "Agreement"); and

**WHEREAS**, the Government acknowledges that the rights and obligations under the Agreement were assigned by PGS to Sea Lion Exploration Limited ("Sea Lion") on 1 June 2001 and by Sea Lion to AQUA on the same date and that the appropriate notices of assignment have been submitted to and received by the Government in accordance with the relevant provisions of the Agreement; and

**WHEREAS**, the Government and AQUA have agreed to amend certain provisions of the Agreement as set forth below; and

**WHEREAS**, AQUA is an Affiliate (as defined in the Agreement) of Sea Lion and Sea Lion is an Affiliate (as defined in the Agreement) of PGS.

**WHEREFORE**, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the Parties agree as follows:

1. The Government, AQUA and PGS may be referred to herein individually as a "Party" and collectively as the "Parties".
2. Words and expressions used in the Agreement shall, unless specified otherwise, have the same meaning when used in this Amendment.

3. With effect from the Effective Date of this Amendment Clause 3 of the Agreement shall be replaced with the following:

**“3. Grant of Option:**

The Government hereby grants to AQUA two (2) options (“Option(s)”) to enter into a PSC (or a number of PSC(s)) with the Government in respect of up to one (1) block per Option in the Option Territory for a total of two (2) Blocks, such Blocks to be nominated by AQUA in accordance with this Agreement.”

4. With effect from the Effective Date of this Amendment Sub-Clause 5.5 of the Agreement shall be replaced with the following:

“5.5 The Signature Bonus per each Option Block shall be established as follows:

- (a) on the Effective Date of the PSC in respect of the first Option Block AQUA shall pay to the Government US\$2,000,000 (two million US dollars); and
- (b) upon Commercial Discovery in respect of the first Option Block AQUA shall pay to the Government US\$6,000,000 (six Million US dollars); and
- (c) on the Effective Date of the PSC in respect of the second Option Block AQUA shall pay to the Government US\$2,500,000 (two million and five hundred thousand US dollars); and
- (d) upon Commercial Discovery in respect of the second Option Block AQUA shall pay to the Government US\$5,500,000 (five million and five hundred thousand US dollars); and
- (e) an additional Signature Bonus based on cumulative Production obtained in each Option Block shall be payable to the Government under each Option Block as follows:

Cumulative production (in MBO)	Additional Signature Bonus (in US dollars)
50	3,000,000
100	3,000,000
150	3,000,000
250	5,000,000
350	5,000,000
450	10,000,000
500	10,000,000
750	15,000,000
1000	15,000,000

For the avoidance of doubt, the following shall apply:

- (f) the aggregate amount of the monies paid by AQUA to the Government in respect of any Signature Bonus shall not exceed **US\$77,000,000** (seventy seven million US dollars) per Block; and
- (g) the Signature Bonus paid by AQUA pursuant to this Sub-Clause 5.5 shall be additional to other sums or bonuses, if any, that may be established by the Government pursuant to the terms and conditions of the standard PSC utilised by it in respect of the Option Territory.

Production shall, for the purpose of this Sub-Clause 5.5 exclude all Hydrocarbons used in Petroleum Operations.

Any sums payable under Sub-Paragraph 5.5(e) above shall be payable within 30 (thirty) days of achieving the relevant production levels.

5. The Parties further acknowledge and agree that with effect from 1 June 2001 (being the date of assignment of the rights and obligations under the Agreement to AQUA) any reference in the Agreement (other than in the Recitals and Clause 12.1) to "PGS" shall be read and construed as a reference to AQUA and for the purposes of Clause 23.1 any notice required or permitted to be given under the Agreement to AQUA shall be addressed to AQUA as follows:

**Aqua Exploration Limited**  
C/o Lyford Corporate Services Limited  
P.O. Box N-7776  
Lyford Manor  
Lyford Cay  
Nassau  
Bahamas

**Att: Mrs Pamela L. Klonaris**

Tel: ++ 1-242-3626872  
Fax: ++ 1-242-3626873

**Copy to:**

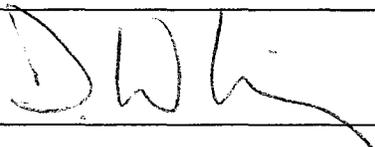
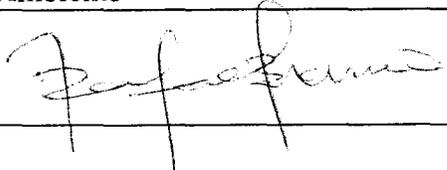
**Aqua Exploration Limited**  
C/o Suite 194  
Grosvenor Gardens House  
Grosvenor Gardens  
London, SW1W 0BS

**Att: The Managing Director**

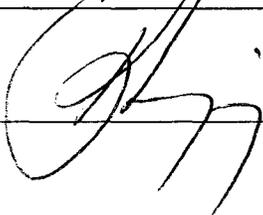
Tel: ++ 44 (0)20 7834 1212  
Fax: ++ 44 (0)20 7834 1919

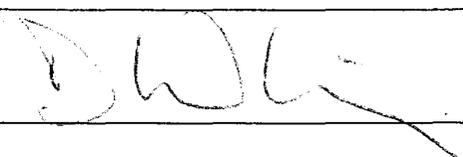
6. This Amendment shall be governed by and construed in accordance with the laws of England and shall come into force on the Effective Date of this Amendment and except as amended above the Agreement shall remain in full force and effect. The provisions of Clause 28 of the Agreement shall apply mutatis mutandis in respect of any dispute or difference that may arise out of or in connection with this Amendment.
7. The Parties agree to keep the terms and conditions of this Amendment strictly confidential and not to make any public announcement relating to the same without the prior written approval of the other (save, in the case of Aqua, as required by law or any regulatory body to which Aqua is subject).
8. The Parties agree that PGS may disclose the terms and conditions of this Amendment and the Agreement as required by law or any regulatory body to which PGS is subject

*IN WITNESS WHEREOF*, the Parties have executed this Amendment on the day, month and year first above written.

<b>For and on behalf of:</b>	<b>Aqua Exploration Limited</b>	<b>The Government of the Democratic Republic of São Tomé &amp; Príncipe</b>
<b>Name:</b>	Dan Whealing	H. E. Joaquim Rafael Branco
<b>Title:</b>	Director	Ministro das Obras Publicas, Infrastruturas, Recursos Naturais e Ambiente
<b>Signature:</b>		

**WITNESSED BY:**

<b>Name:</b>		
<b>Signature:</b>		

<b>For and on behalf of:</b>	<b>PGS Exploration (UK) Limited</b>
<b>Name:</b>	Dan Whealing
<b>Title:</b>	Vice President – Africa
<b>Signature:</b>	

**WITNESSED BY:**

<b>Name:</b>	K. MADGEROY
<b>Signature:</b>	