

**PETROLEUM EXPLORATION AND PRODUCTION CONCESSION CONTRACT**

**BETWEEN**

**THE GOVERNMENT OF THE REPUBLIC OF MOZAMBIQUE**

**AND**

**ENI MOZAMBICO S.p.A.**

**AND**

**SASOL PETROLEUM MOZAMBIQUE EXPLORATION LIMITADA**

**AND**

**EMPRESA NACIONAL DE HIDROCARBONETOS. E.P.**

**FOR**

**EPCC AREA A5-A**

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*in*

### Parties

This Exploration and Production Concession Contract ("EPCC") is entered into in accordance with applicable law on the [ 17 ] day of October 2018

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

**"ENI MOZAMBICO S.p.A."**, a company established in accordance with the laws of the Republic of Italy with a branch office registered in the Republic of Mozambique, hereinafter referred to as "Eni" and herein represented by its appointed representative; and

**SASOL PETROLEUM MOZAMBIQUE EXPLORATION, LIMITADA**, a company established in accordance with the laws of the Republic of Mozambique, hereinafter referred to as "Sasol" and herein represented by its appointed representative; and]

**EMPRESA NACIONAL DE HIDROCARBONETOS. E.P.**, a company established in accordance with the laws of the Republic of Mozambique, hereinafter referred to as "ENH" and herein represented by its Chairman.

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

### Preamble

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

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

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

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

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

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

NOW THEREFORE it has been concluded as follows:

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*[Handwritten signatures]*

### **Article 1 EPCC Documents**

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

### **Article 2 Definitions**

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

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

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

"FOB" as defined by INCOTERMS 2010.

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

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

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

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

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

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

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

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

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

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

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

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

### **Article 3      EPCC Rights and their duration**

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

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

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

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

- Eni is fifty-nine and one half percent (59.5 %)

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- ENH is fifteen percent (15 %)
- Sasol is twenty-five and one half percent (25.5%).

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

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

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

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

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

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

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

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

- Where pursuant to applicable law and this EPCC the Concessionaires have notified INP that they have made a Discovery, the rights and obligations pursuant to this EPCC

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shall not, in respect of the Discovery Area to which that Discovery relates, terminate provided a proposed Appraisal Programme is timely submitted to INP.

(b) Where INP has approved an Appraisal Programme the rights and obligations pursuant to this EPCC shall not terminate in respect of the Discovery Area to which that Appraisal Programme relates provided the appraisal report for such Discovery is timely submitted to INP;

(c) Where the Concessionaires pursuant to applicable law and this EPCC have timely submitted the appraisal report, the rights and obligations pursuant to this EPCC shall not terminate in respect of the Discovery Area to which that appraisal report relates provided a Declaration of Commerciality is timely submitted.

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

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

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


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

#### **Article 4 Work Commitment during Exploration Period**

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

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





- 4.2 The Exploration Period shall be divided into 3 three sub-periods.
- 4.3 During the first sub-period of the Exploration Period of 48 (forty eight ) months, the Concessionaires shall conduct the following Exploration work commitment:
- (a) Acquisition 4,500 km<sup>2</sup> 3D Seismic,
  - (b) Drill three (3) Exploration wells up to 3,800 msl TVD or to the Eocene, whichever comes first, but in any case no less than to 2,800 msl TVD
  - (c) Complete US\$ 5.0 million of Other Studies

In case of non-performance of any part of the Exploration work commitment described in this Article 4.3, save for exemptions listed in this Article, the maximum amount of any guarantee or the maximum amount to be paid by the Concessionaires to the Government for this sub-period of the Exploration Period shall be USD 108,500,000.00 (one hundred and eight million five hundred thousand United States dollars).

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

- (a) Drill two (2) Exploration wells up to 3,800 msl TVD or to the Cretaceous, whichever comes first, but in any case no less than to 2,800 msl TVD
- (b) Complete US\$ 10 million of Other Studies

In case of non-performance of any part of the Exploration work commitment described in this Article 4.4, save for exemptions listed in this Article, and in the manner provided by this Article, the maximum amount of any guarantee or the maximum amount to be paid by the Concessionaires to the Government for this sub-period of the Exploration Period shall be USD 70,000,000.00 (Seventy million United States dollars).

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

- (a) Drill one (1) Exploration well up to 3,800 msl TVD or to the Cretaceous, whichever comes first, but in any case no less than to 2,800 msl TVD.
- (b) Complete US\$ 5.0 million of Other Studies

In case of non-performance of any part of the Exploration work commitment described in this Article 4.5, save for exemptions listed in this Article, and in the manner provided by this Article, the maximum amount of any guarantee or the maximum amount to be paid by the Concessionaires to the Government for this sub-period of the Exploration Period shall be USD 35,000,000.00 (thirty five million United States dollars).

- 4.6 Should any Well forming part of the Exploration work commitments provided for in Articles 4.3, 4.4 and 4.5 be abandoned, for any reason other than a reason specified in Article 4.7 of this EPPC, before reaching the defined objectives of such Well, the Concessionaires shall drill a substitute Well. In this event the relevant sub-period of the Exploration Period shall be extended,




by a reasonable period of time as MIREME may agree to allow the drilling and evaluation of the substitute Well.

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

- (a) further drilling would in the reasonable opinion of the Concessionaires present an obvious danger, due to such events as, but not limited to, the presence of abnormal pressure or excessive losses of drilling mud;
- (b) impenetrable formations are encountered;
- (c) Petroleum bearing formations are encountered which require protecting, thereby preventing planned depths from being reached; or
- (d) MIREME agrees to terminate the drilling operation.

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

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

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

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

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

**b) Parent Company Guarantee**

Without prejudice to the joint and several liability of all the Concessionaires, each Concessionaire shall by no later than thirty (30) days after the Effective Date of this EPPC

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provide, in substantially the form shown in Annex "E", an unconditional and irrevocable parent company guarantee from the ultimate parent company or from a subsidiary controlled by the ultimate parent company of the Concessionaire acceptable to MIREME in respect of all its obligations under this EPCC beyond the scope of the Exploration work commitment bank guarantee. A breach of the guarantor's obligations under the parent company guarantee shall constitute a breach of the Concessionaires obligations pursuant to this EPCC.

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

(a) during the first sub-period of the Exploration Period:

- 13,500,000.00 United States Dollars (USD) at completion of the Exploration work commitment described in Article 4.3. a);
- 30,000,000.00 United States Dollars (USD) for each Well at completion of the Exploration work commitment described in Article 4.3b),
- 5, 000,000.00 United States dollars (USD) at completion of the Exploration work commitment described in Article 4.3. c);

(b) during the second sub-period of the Exploration Period:

- 30,000,000.00 United States Dollars (USD) for each Well at completion of the Exploration work commitment described in Article 4.4 a),
- 10,000,000.00 United States Dollars (USD) at completion of the Exploration work commitment described in Article 4.4. b);

(c) during the third sub-period of the Exploration Period:

- 30,000,000.00 United States Dollars (USD) for a Well at completion of the Exploration work commitment described in Article 4.5 a),
- 5,000,000.00 United States dollars (USD....) at completion of the Exploration work commitment described in Article 4.5. b);

4.12 If, at the end of the first or any subsequent sub-period of the Exploration Period the Exploration work commitment to be fulfilled by the Concessionaires during that sub-period pursuant to Article 4.3, 4.4 and 4.5, is deemed by INP as not fulfilled, INP shall notify the Concessionaires and shall unless the full amount has been met by the Concessionaires within thirty (30) days of such notification call on the Exploration work commitment bank guarantee for the payment thereunder of the cost of the fulfillment of the remaining Exploration work commitment for such sub-period.

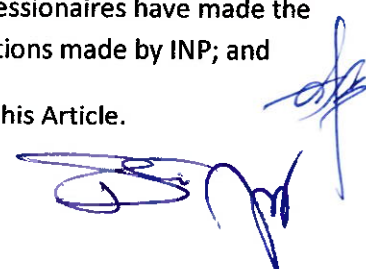
4.13 In the event where the number of Wells drilled for the purpose of Exploration by the Concessionaires and/or the amount of seismic data acquired during any sub-period of an

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Exploration Period exceed the number of Wells and/or the amount of seismic data acquired provided for in the work commitments for that sub-period, as established in Articles 4.3 and 4.4, the number of additional Exploration Wells drilled and/or the additional amount of seismic data acquired by the Concessionaire during such sub-period of the Exploration Period may be carried forward and treated as work undertaken in discharge of the Concessionaires' commitment to drill Exploration Wells and/or acquire seismic data during the succeeding sub-period of the Exploration Period. If by reason of the provisions of this Article the Exploration work commitment of the Concessionaires for any sub-period of the Exploration Period as specified in Articles 4.4 and 4.5 has been fully discharged by the Concessionaires before that sub-period commences, the Concessionaires, after consultation with MIREME, shall adopt a work commitment for the sub-period in question so as to ensure the continuity of Petroleum Operations in, or in connection with, the EPCC Area during that sub-period of the Exploration Period.

- 4.14 Except as otherwise provided, nothing in Article 4.12 or Article 4.13 shall be read or construed as extinguishing, postponing or modifying any commitment of the Concessionaires to carry out any Exploration work commitment, including seismic surveys or to drill Exploration Wells pursuant to this Article.
- 4.15 Appraisal Wells and seismic surveys carried out pursuant to an Appraisal Programme drawn up pursuant to applicable law and the expenditure incurred by the Concessionaires in carrying out such Appraisal Programme shall not be treated as discharging in whole or in part the minimum Exploration work commitment set out in Articles 4.3, 4.4 and 4.5.
- 4.16 Within sixty (60) days of the Effective Date for so long as the Exploration Period subsists and at least ninety (90) days prior to the end of each calendar year or at such other times as may be approved in advance by INP, the Concessionaire shall prepare in detail and submit to INP an Exploration work programme and budget for the remaining portion of the calendar year or, for the subsequent calendar year(s), and a proposed structure for the Concessionaire's organisation for the conduct of Exploration Operations in the EPCC Area.
- 4.17 The Exploration work programme and budget prepared by the Concessionaires shall be consistent with obligations under this EPCC and shall set forth the Petroleum Operations which the Concessionaires proposes to carry out during the remaining portion of the calendar year and for subsequent calendar year(s). The Concessionaires shall consider any recommendations made by INP in respect thereof and, after making such revisions thereto as the Concessionaire consider appropriate, submit the revised annual Exploration work programme and budget to INP for information.
- 4.18 The Concessionaires may at any time amend the Exploration work programme and budget submitted in accordance with Articles 4.16 and 4.17, provided that the amended work programme and budget are:
- (a) prepared in detail and submitted to INP, once the Concessionaires have made the appropriate alterations after consideration of recommendations made by INP; and
  - (b) consistent with the Concessionaires' obligations under this Article.

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**Article 5 Conduct of Petroleum Operations**

- 5.1 Any obligation pursuant to this EPCC shall be a joint and several obligation of all of the Concessionaires, save for those obligations which under applicable law or this EPCC is a several obligation.
- 5.2 Eni shall be the Operator. No change of the Operator may take effect unless it has been approved by MIREME.
- 5.3 A Concessionaire shall no less than thirty (30) days counting from the Effective Date of this EPCC have and maintain an organized structure that is appropriately staffed and with powers to manage the petroleum operations and other aspects pursuant to applicable law and related to this EPCC.
- 5.4 In fulfilment of the Regulation of Hiring Citizens of Foreign Nationality for Oil Mining Sectors, approved by Decree n.º 63/2011 of 7 December, the Concessionaire or any other Affiliated Company of such Concessionaire or any Subcontractor, is authorized to keep applicable law and fill a global and combined quota for foreign national workers distributed as follows:
- (a) Each Concessionaire has the right related to hire five (5) foreign national workers, and
    - (i) In the Exploration phase, the number of additional foreign national workers to be hired can be up to 50% of the total number of workers hired by the Concessionaire, Affiliated Companies and Subcontractors authorized to do business in Mozambique;
    - (ii) During the period of Development, for the implementation of the Plan of Development, the number of additional foreign national workers be hired can be up to 33% of the total number of workers hired by the Concessionaire, Affiliated Companies and Subcontractors authorized to do business in Mozambique;
  - (b) In case the number of foreign national workers is expected to exceed the proportion of foreign national workers authorized in i) or ii), any additional hiring is subject to the prior authorisation of the Minister responsible for labour.

Quotas applicable for the period in which a Plan of Development is being implemented or for the Production period shall be stipulated in that Plan of Development recognising that the referred number of foreign national workers will be progressively reduced, as stipulated, as soon as a Development activity has been implemented and the Mozambican workers have been trained for technical and services specialized positions.

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### **Article 6 Commercial Discovery and Development**

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

### **Article 7 Relinquishment of Areas**

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

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

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### **Article 8      Export of Documentation and Samples**

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

### **Article 9      Cost Recovery and Production Entitlement**

- 9.1 The Concessionaires shall bear and pay all costs incurred in carrying out the Petroleum Operations in which the Concessionaires participate, and the Concessionaires shall recover such costs within the limit of sixty per cent (60 %) of the Disposable Petroleum ("Cost Petroleum"), to the extent permitted by the EPCC including the provisions of Annex "C" of this EPCC, (hereinafter referred to as "Recoverable Costs"), and shall be remunerated exclusively by means of an entitlement to quantities of Petroleum to which the Concessionaires are entitled in accordance with the terms of the Special Tax Law (Law no. 27/2014 of 23 September, as amended by Law No. 14/2017 of 28 December) and of the respective Regulations approved by Decree no. 32/2015 of 31 December and the IRPC code (Law No. 34/2007 of 31 December).
- 9.2 a) For the purpose that the Government or a Concessionaire may elect to take Profit Petroleum in kind, the Concessionaires shall, for accounting and reporting purposes, record Cost Petroleum separately:
- i. in respect of each Development and Production Area; and
  - ii. in the form of liquids and gas, on a pro-rata basis relative to the volumes of Petroleum Produced.
- b) For the purposes of this EPCC, condensate shall be taken in Crude Oil or Natural Gas on the basis of its character at the Delivery Point.
- 9.3 The Cost Petroleum for any quarter shall be calculated in the manner aforesaid shall be increased by:
- a) the amount of any contributions made by the Concessionaires into the Decommissioning Fund during such quarter; and
  - b) the costs incurred by the Concessionaires during such quarter to implement an approved Decommissioning Plan prepared pursuant to applicable law save to the extent that, such costs have been funded by withdrawals from the Decommissioning Fund; and
  - c) provided that in no event shall the Cost Petroleum exceed 60 % of the Disposable Petroleum.
- 9.4 Costs, to the extent permitted by the provisions of Annex "C" of this EPCC, or otherwise approved by the competent authority, subject to Article 9.6 shall be recovered from Cost Petroleum:

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

- 9.5 Costs, mentioned in article 9.4, incurred by Concessionaires to implement an approved Decommissioning Plan shall be considered, for the purpose of Corporate Income Tax (IRPC), as operating costs pursuant to letter e) of article 19 of Law no. 27/2014 of 23 September.
- 9.6 The quantity of Cost Petroleum to which the Concessionaire is entitled in any year shall be established on the basis of the value of the Petroleum Produced during such year, and determined in accordance with applicable law and this EPCC.
- 9.7 The "Profit Petroleum", shall be shared between the Government and the Concessionaires according to the following scale:

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

- 9.8 The Concessionaires, excluding ENH or a Permitted Assignee, shall pay all costs properly incurred under this EPCC in relation to the State Participating Interest of 15 % (fifteen per cent %) (herein referred to as "Carry") subject to the following conditions:

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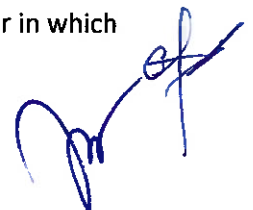



- (a) In the event of a third party, other than an entity holding a State Participating Interest (Permitted Assignee), has acquired a Participating Interest in the EPCC from any Concessionaire other than an entity holding a State Participating Interest, such third party shall be obliged to take over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

- 9.9 The Concessionaires may re-inject Natural Gas which is not (i) taken by Government pursuant to applicable law, (ii) used for Petroleum Operations or processed and sold by the Concessionaires, or (iii) used by the Concessionaires for Concessionaires' purposes, and the costs of such re-injection of Natural Gas shall be cost recoverable.

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





## Article 10 Valuation of Petroleum

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







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

(c) if the premium or discount submitted by each of MIREME and the Concessionaire differ by more than ten cents of a United States dollar (10 US ¢) per barrel each will resubmit a revised premium or discount to the other on the third (3rd) business day after the first exchange of information;

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

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

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

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

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

- i. the price stipulated for sales to non-Affiliated Companies, in Article 10.5 (a); or
- ii. such price agreed between the Ministries who superintends the petroleum and the Finance sectors jointly and the Concessionaires.

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

- i. in the case of sales to non-Affiliated Companies, the weighted average net LNG sales price in US Dollars per mmbtu calculated as the total revenue due in respect of all sales of LNG delivered during that calendar month less the aggregate of the Deductions (in accordance with Annex "C" of this EPCC) incurred in respect of those sales divided by the total volume, in mmbtu of LNG loaded during the month in respect of such sales; and
- ii. in the case of sales to a Concessionaire or any Affiliated Companies, such price shall be either (i) calculated in the same manner as stipulated in Article 10.5 (c) (i) above for sales to non-Affiliated Companies or (ii) such price agreed between the Ministries with authority over the Petroleum sector and over the Finance sector and the Concessionaire.

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- 10.6 In the event that the Government and/or its authorised representative enters into a commercial sales and purchase agreement for Petroleum with the Concessionaires for the purchase by the Government, the sales price shall not exceed the price of Petroleum sold to Affiliated Companies as determined in Article 10.3, 10.4, 10.5 (b) or 10.5 (c).
- 10.7 For supply of Petroleum by the Concessionaires to the domestic market, the sales price shall be based on:
- (a) For Crude Oil: The net-back FOB price per barrel of the Crude Oil based on the reference price as quoted on Platts for the day in question, adjusted with any price demium or premium as appropriate to the relevant specific quality. If the relevant reference price is not quoted on Platts on the day in question, the price quoted by Argus Media shall be used instead.
- (b) For Natural Gas: The price of such gas shall be set out in the sales and purchase contracts to be agreed by the parties. Where the parties to such contract cannot agree on the price, the price of the Natural Gas shall be calculated with reference to the average price of Natural Gas in at least five internationally recognised LNG Markets, netted back to the delivery point for Natural Gas (and net of any liquefaction costs, as applicable) supplied to the domestic market in Mozambique.

#### **Article 11 Fiscal Terms and Other Charges**

- 11.1 Each Concessionaire and its Subcontractors shall, save to the extent they are exempt therefrom, be subject to applicable legislation of the Republic of Mozambique which impose taxes, duties, levies, charges, fees or contributions.
- 11.2 During the five (5) years from the approval of the Development Plan related to this EPPC, each Concessionaire and its Subcontractors are entitled to the rights of Law No. 27/2014, of 23 September (as amended by Law No. 14/2017 of 28 December) and the respective Regulations approved by Decree no. 32/2015 of 31 December, regulating tax and fiscal benefits for Petroleum Operations. Each Concessionaire and its Subcontractors shall be exempt from:
- (a) Customs duties with regard to the importation of goods destined to be used in Petroleum Operations, classified as class "K" in the customs tariff in accordance with article 35 of the Law No. 27/2014, of 23 September;
- (b) Customs duties with regard to importation of explosives, detonators, rakes and similar machines and devices to blow explosives, as well as equipment and devices for topographical, geodesic and geological recognition on shore and offshore to be used for Petroleum Operations and other supplies classified as class "K" in accordance with Annex II, article 35 of the Law No. 27/2014, of 23 September.
- 11.3 Each Concessionaire and its Subcontractors shall be exempt from duties and custom and fiscal charges on goods temporarily imported to be used in Petroleum Operations in accordance with applicable fiscal regulation (Pauta Aduaneira), approved by Law 11/2016 of 30 December.

11.4 The Expatriate Personnel of each Concessionaire and its Subcontractors shall be exempt under this EPCC from customs duties and other levies payable on the importation of personal and household effects of Expatriate Personnel and their dependents imported into the Republic of Mozambique on first arrival, provided that those customs duties shall become payable on such items upon their sale in the Republic of Mozambique to a person who is not exempt from such duties. The Expatriate Personnel shall have the right to export from the Republic of Mozambique free of any customs duties and levies the aforesaid personal and household effects imported by them, within the conditions stipulated in the customs tariff approved by Decree No. 9/2017, of 6 April.

11.5 For the purpose of this EPCC, the matters listed below shall be treated in the following manner:

(a) The Corporate Income Tax (IRPC), including incidence, rate of tax (32%) and fiscal benefits in accordance with Law No. 34/2007 of 31 December and as applicable to this EPCC pursuant to Article 15 (1) of Law No. 27/2014, of 23 September, as amended by Law 14/2017 of 28 December and as the same may be amended from time to time but always without prejudice to Article 11.8 of this EPCC, and shall be payable by each Concessionaire who shall be separately assessed and charged. The following provisions shall apply to IRPC levied in respect of income derived from Petroleum Operations hereunder:

(i) In determining the net income of each Concessionaire for the purposes of calculating IRPC in any fiscal year, in addition to the deductions already made for the purpose of recovery of costs, and Profit Petroleum and Cost Petroleum calculation pursuant to Article 9, depreciation shall be deducted at the rates indicated below, beginning in the year in which the expenditure is incurred or Commercial Production commences, whichever year is the later:

- in respect of expenditure on Exploration, including the drilling of Exploration and Appraisal Wells, at one hundred percent (100%);
- in respect of Capital Expenditure on Development and Production at the annual rate of twenty five percent (25%) of such expenditure on a linear depreciation basis;

(ii) For the purpose of calculating liability for IRPC, a loss incurred by the Concessionaire in any year may be carried forward for up to 5 (five) years after the year in which such loss is incurred.

(iii) In order to determine IRPC taxable base, the competent authority in the Ministry with authority over the Finance sector can proceed with correction in accordance with Law no. 34/2007, of 31 December which approves the IRPC Code, when the prices of transfer and sub-capitalization resulting from special transactions between Affiliated Companies differ from those with third parties.

(b) Pursuant to Article 28 of Law no. 27/2014 of 23 September, the Concessionaires shall by way of payment of income tax on amounts due, withhold at source 10 per cent (10%) of the total amount of any payment made by the Concessionaire to a non-resident Subcontractor for

services contracted for the performance of Petroleum Operation pursuant to this EPCC. The amount of such income tax withheld by the Concessionaires shall be paid to the competent entity in the Ministry with authority over the finance sector in accordance with procedures of applicable law.

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

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

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

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

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

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

### Article 12      Production Bonuses

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

Occurrence	Production bonuses payable in United States dollars
At the Commencement of Commercial Production	USD 2,000,000.00 (two million United States dollars)
When Production from the EPCC Area first reaches 25,000 (twenty-five thousand) BOE per day average for a month	USD 2,000,000.00 (two million United States dollars)
When Production from the EPCC Area first reaches each further tranche of 75,000 (seventy-five thousand) BOE per day average for a month	USD 15,000,000.00 (fifteen million United States dollars)

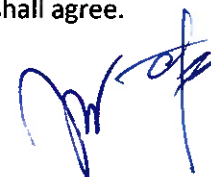
- 12.2 For the purpose of the Production bonus calculation:

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

### Article 13      Lifting Arrangements

- 13.1 a) The Concessionaire shall, subject to provisions regulating the Production and sale of Petroleum and subject to applicable law and this EPCC, including any right that the Government may have under the laws of Mozambique for imperative reasons in the national interest to acquire Petroleum to which the Concessionaires hold title, be entitled to lift, dispose and export freely its entitlement to Petroleum Produced under this EPCC.
- b) Each Party shall take its entitlement to Petroleum consistent with Good Petroleum Industry Practices at an approximately regular rate throughout each calendar year.
- c) Not later than ninety (90) days prior to the date scheduled for the commencement of Commercial Production, the Parties shall establish off-take procedures covering the scheduling, storage and lifting of Petroleum and such other matters as the Parties shall agree. Such procedures shall be consistent with Good Petroleum Industry Practices.

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

#### **Article 14      Decommissioning Plan and Decommissioning Fund**

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

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

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

No alternate currency shall be considered for this account which does not have a significant history of stable exchange rates as against the US Dollar. In the event such debt rating





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

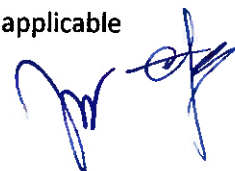
- 14.3 MIREME shall, based on the proposals from the Concessionaires, select a preliminary Decommissioning solution towards the Decommissioning Plan to form the basis for the calculation of Decommissioning costs to be covered by a Decommissioning Fund, created for the purpose of covering these costs.
- 14.4 For the estimation and proper escalation of the total estimated Decommissioning cost, to be used as basis for the calculation of payment into the Decommissioning Fund pursuant to applicable law and this EPCC, the "Producers Price Index for the Drilling of Oil and Gas Wells" as published by the United States Bureau of Labour Statistics shall be used. The annual index to be used in year "n" shall be determined by difference between the annual index relating to the year in which the latest approved estimate is determined and the same annual index relating such year "n". In the event the United States Bureau of Statistics (Bureau of Labour Statistics) ceases, for any reason whatsoever, to publish the "Producers Price Index for the Drilling of Oil and Gas Wells" or when an alternative currency is selected, INP approves upon proposal by the Concessionaires either an alternative independent internationally recognised source or an alternative representative index.
- 14.5 The Concessionaires shall not withdraw money from the Decommissioning Fund, without the prior written approval of the INP, save for the purpose of meeting the costs of implementing an approved Decommissioning Plan. All statements relating to the Decommissioning Fund provided by the bank from time to time shall be copied to MIREME.
- 14.6 Procedures on the administration and the governance of the Decommissioning Fund shall be proposed by the Concessionaire and subject to the approval of the INP, following the minimum standards defined in Article 14.2.
- 14.7 Any funds which have been cost recovered remaining in the Decommissioning Fund after the approved Decommissioning Plan has been completed shall be treated as Profit Petroleum and the remaining balance shall be shared between the Concessionaires and the Government in accordance with the provision of Article 9.6. Funds paid from contributions of the Concessionaire which have not been cost recovered but remain in the Decommissioning Fund after the approved Decommissioning Plan has been completed shall be shared exclusively among Concessionaires, proportionate to their respective Participating Interest.

#### **Article 15 Insurance**

- 15.1 The Concessionaires shall establish and maintain all insurance required in respect of Petroleum Operations in accordance with applicable Mozambican law and such other insurance as imposed by INP, and observe best practices of the insurance industry applicable to the oil and gas industry.







- 15.2 The insurance shall at least include insurance against the following risks:
- a) loss or damage to all installations and equipment which are owned or used by the Concessionaires in the Petroleum Operations;
  - b) pollution caused in the course of the Petroleum Operations by the Concessionaires for which the Concessionaires may be held responsible;
  - c) property loss or damage or physical injury suffered by any third party in the course of the Petroleum Operations by the Concessionaires for which the Concessionaires may be liable to indemnify third parties or the Government;
  - d) cost of removing wrecks and cleaning-up operations following an accident in the course of the Petroleum Operations by the Concessionaires; and
  - e) the Concessionaires' and the Operator's liability for its employees engaged in the Petroleum Operations.
- 15.3 In relation to Petroleum Operations, the Concessionaires shall submit to INP a programme for the provision of an "All Risks" insurance which shall without prejudice to applicable law, inter alia, cover physical damage to the Facilities under construction and installation and liabilities arising out of the Petroleum Operations.
- 15.4 The Concessionaires shall, in cooperation with the appropriate insurers capable of performing insurance activities in Mozambique, procure insurance for civil automotive against third parties, work accident insurance, work-related illness insurance and by any other mandatory insurance law, provided such insurance is of general applicability and not specific to Petroleum Operations.
- 15.5 The Concessionaires or the Operator shall, when requested by INP, present the insurance policy or documents proving that all insurance required under this EPPC or applicable law has been obtained.
- 15.6 Except as provided for in Article 15.4, any insurance required to be effected by the Concessionaires pursuant to Articles 15.1 and 15.2 may be provided by one or more of the following options:
- a) Self-insurance, in which case, each Concessionaire or one of its Affiliated Companies supports the risk and no premium is charged;
  - b) insurance through an insurance company being subject to reinsurance through an insurance company held in whole or in part by the Operator or by a Concessionaire in which case the premia charged shall be in accordance with rates as practiced in the international insurance market;
  - c) insurance relating to Facilities must be issued by an insurer licensed to carry out insurance business in Mozambique, including under a fronting regime utilizing captives or



non-captives. The Operator shall communicate to INP within twenty-four (24) hours regarding such procurement.

d) the Concessionaire utilising for the benefit of Petroleum Operations insurance which is placed as part of a global coverage in which case the premia charged shall be at the rates obtained for such global coverage through the mechanisms provided for in paragraph b) and c).

15.7 The Concessionaires shall competitively tender all renewable insurances at least once every three (3) years.

15.8 The contracting of insurance outside the Republic of Mozambique is subject to prior authorization from the Insurance Supervision Institute of Mozambique, at least ten (10) business days in advance, relative to the date of the contracting of the insurance in question; the above request must be filed with the following documents:

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

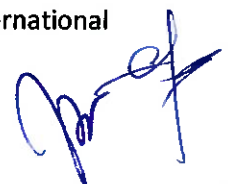
15.9 Except in relation to reinsurance or captive insurance relating to Petroleum Operations, construction or to Facilities, the Concessionaires shall give preference to Mozambican insurers, when:

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

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

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

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- 15.10 Concessionaires shall not be required to utilize local brokers or insurers if their rates exceed those available in international markets by more than 10%.
- 15.11 In the event that any type of insurance coverage necessary for the Petroleum Operations cannot be procured from or fronted by a Mozambican source as provided in this Article, the Concessionaires shall have the right to obtain such insurance from the international markets in a Transparent Jurisdiction.
- 15.12 The Concessionaires shall require its Subcontractors to carry equivalent insurance of the type and in such amount as is required by applicable law and standards in the Petroleum industry, in accordance with Good Petroleum Industry Practices.

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

- 16.1 Subject to the Government's security review of any individual entering Mozambique and the procedures and formalities of the law relating to immigration the Government shall provide the necessary permits or other approvals required for the employment and admission into the Republic of Mozambique of Expatriate Personnel employed by the Concessionaires or its Subcontractors for the purpose of this EPCC. The hiring and training of employees for Petroleum Operations is regulated by the Labour Law, and the Petroleum Operations Regulations, approved by Decree no. 34/2015 of 31 December.
- 16.2 During the Exploration Period, the Concessionaires shall pay to INP the amount of USD 500,000 (five hundred thousand United States dollars) per year, to be spent on training support programmes for employees in the public institutions involved in Petroleum Operations. The first payment shall be made to INP within thirty (30) days from the Effective Date and the subsequent payments shall be made within thirty (30) days of every subsequent anniversary of the Effective Date.
- 16.3 Each Concessionaire shall co-operate with MIREME in giving an agreed number of technicians in the management of petroleum resources, the monitoring and control of Petroleum Operations the opportunity to participate in training activities provided by the Concessionaire or any of its Affiliated Companies.
- 16.4 In order for MIREME to monitor the fulfilment of the employment and training obligations pursuant to applicable law and this EPCC, the Concessionaires shall annually submit its recruitment and training programmes to MIREME.
- 16.5 The Concessionaires shall pay to INP the amount of 1,000,000.00 (one million United States dollars), per year for the duration of this EPCC to be used as institutional support to the entities involved in the promotion and administration of Petroleum Operations. The first payment shall be made to INP within thirty (30) days from the Effective Date and the subsequent payments shall be made on the subsequent anniversaries of the Effective Date.
- 16.6 The Concessionaires shall pay to MIREME USD 250,000 (two hundred and fifty thousand United States dollars) per year for the duration of this EPCC, for social support projects for communities in areas where Petroleum Operations take place. The Concessionaire may recommend social support programmes to be financed by the Concessionaire and, where

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agreed with the Government, the agreed amount for such financing will be credited to the social support obligations in the following year. The first payment shall be made to MIREME within 30 (thirty) days from the Effective Date and the subsequent payments shall be made within 30 days of every subsequent anniversary of the Effective Date.

- 16.7 The sums expended by the Concessionaire to satisfy the obligations contained in this Article are Recoverable Costs for the purpose of Annex "C" of this EPCC.

#### **Article 17 Indemnification and Liability**

- 17.1 Each Concessionaire shall indemnify and hold the Government harmless from and against any and all claims instituted against the Government by third parties in respect of injury, loss or damage caused by the Concessionaires in the conduct of the Petroleum Operations, provided that the claims are duly qualified by a third party or the Government. In no case shall the Concessionaire's liability under this Article include punitive damages.
- 17.2 The Government shall indemnify and hold each Concessionaire, its Subcontractors and any of its Affiliated Companies harmless from and against any and all claims instituted against the Concessionaire, its Subcontractors and any of its Affiliated Companies by third parties in respect of injury, loss or damage caused by the acts or omissions of the Government in its commercial capacity.
- 17.3 Except as provided for in Article 17.8 no Party hereto shall settle or negotiate any claim for which another Party is responsible hereunder without the prior written consent of such other Party, and in the event that it does so, the indemnity aforesaid shall not have effect in relation to the claim so settled or compromised.
- 17.4 Unless otherwise provided in this EPCC, each Concessionaire, its Subcontractors and any of its Affiliated Companies carrying out such Petroleum Operations on behalf of the Concessionaires shall not be liable to the Government and the Government shall not be liable to a Concessionaire, for consequential loss or damage including but not limited to inability to produce Petroleum, loss of Production or loss of profit.
- 17.5 Subject to Article 17.4, in carrying out Petroleum Operations under this EPCC each Concessionaire shall be liable for any injury, loss or damage suffered by the Government and caused by the Concessionaires or by any Affiliated Company or Subcontractor carrying out Petroleum Operations on behalf of the Concessionaires if the injury, loss or damage is the result of the Concessionaire's, the Affiliated Company's or the Subcontractor's failure to meet the standards required by this EPCC and the applicable law.
- 17.6 Any claim pursued by any third parties which would entitle any of the Parties (together the "Indemnified Party") of this EPCC to be indemnified by any of the other Parties of this EPCC (together the "Indemnifying Party") shall be promptly communicated by notice to the Indemnifying Party so that the Indemnifying Party may promptly intervene in the claim and pursue its defence. The notice shall include a description of the third party claim and shall be accompanied by copies of all relevant papers received by the Indemnified Party and its counsel with respect to such third party claim. The Indemnified Party shall cooperate with

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the Indemnifying Party and its counsel in contesting such third party claim. If the Indemnified Party fails promptly to communicate by notice as provided above and thereby causes the Indemnifying Party not to be able to properly pursue its defense, the Indemnified Party shall lose its rights to the indemnification under this Article.

- 17.7 If within thirty 30 (thirty) days of receipt of such claim notice, the Indemnifying Party notifies the Indemnified Party that it elects to assume the defense of such claim, then the Indemnifying Party shall have the rights to defend, at its cost and expense, such claim by all appropriate proceedings including compromise or settlement thereof, so long as any settlement agreement does not provide for or result in any continuing liability or obligation on the Indemnified Party in respect of such third party claim.
- 17.8 If the Indemnifying Party fails timely to elect to assume the defense of such claim, then the Indemnified Party shall have the right to defend at the sole cost and expense of the Indemnifying Party the third party claim by all appropriate proceedings including any compromise or settlement thereof.

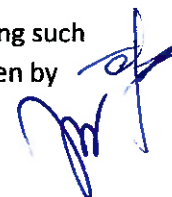
#### Article 18 Title

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

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

- 18.4 Third parties may, subject to terms and conditions stipulated by applicable law and this EPCC, have the right to the use available spare capacity of Facilities and appurtenant equipment on terms and conditions to be agreed between the commercial parties and acceptable to the Government. Such terms and conditions shall include a tariff that shall represent the payment for the Concessionaires' cost of additional investments required for facilitating such third party use as well as operational costs and a profit element reflecting the risk taken by

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the owner of the Facilities and appurtenant equipment. The tariff for third party use of Facilities and appurtenant equipment shall be subject to approval by the Government.

- 18.5 Subject to Good Petroleum Industry Practices, third party use of Facilities shall only take place when such third party use is not materially negatively affecting Concessionaires Petroleum Operations and is feasible from a technical, environmental and safety point of view.

#### **Article 19 Accounting and audits**

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

#### **Article 20 Confidentiality**

- 20.1 This EPCC, the documentation and other records, reports, analyses, compilations, data, studies and other materials directly related to the Petroleum Operations conducted pursuant to this EPCC (in whatever form maintained, whether documentary, computer storage or otherwise) shall be deemed confidential (hereinafter referred to as "Confidential Information"), to the extent it contains information which individually or collectively is of strategic commercial importance or has influence on the position of the Concessionaire or its Affiliated Companies in a competition perspective. Except as authorised by applicable law or this Article, Confidential Information shall not be disclosed to any third party without the prior written consent of the Parties hereto, which consent shall not be unreasonably withheld or delayed.
- 20.2 Nothing in this Article shall prevent the disclosure of documentation, excluding the Concessionaires' interpretations and assessments, to a third party by MIREME:
- (a) if it relates to acreage which is no longer part of the EPCC Area; or
  - (b) if, in the judgment of Government, the documentation might have significance for the assessment of Exploration in an adjoining area over which Government is offering Exploration rights.
- 20.3 Restrictions on disclosure imposed by this Article shall not apply to a disclosure made reasonably:
- (a) if it is required for the purpose of any arbitration or legal proceedings or claim relating to this EPCC or to the Petroleum Operations;
  - (b) to a Subcontractor, or consultant in connection with the conduct of Petroleum Operations;

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- (c) by a Concessionaire or Operator to a third party where such disclosure is essential to the safe conduct of Petroleum Operations;
- (d) to an Affiliated Company;
- (e) by a Concessionaire to a third party for the purpose of entering into a contract for data exchange with another entity operating in Mozambique where all data exchanged relates to Petroleum Operations within Mozambique;
- (f) by any Concessionaire to a bona fide intending assignee of a Participating Interest in this EPCC or an interest in the Concessionaire;
- (g) to a third party in connection with and for the purpose of the sale or proposed sale of Petroleum from the EPCC Area;
- (h) to a third party in connection with the financing or proposed financing of Petroleum Operations;
- (i) which is required by any applicable law or by the rules or regulations of any recognised stock exchange on which shares of the disclosing Party or any of its Affiliated Companies are listed; or
- (j) if, and to the extent that, it is already public knowledge without improper disclosure hereto.

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

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

#### **Article 21 Assignment**

- 21.1 Any assignment of direct or indirect interest in this EPCC or in a Concessionaire holding a Participating Interest share in this EPCC shall be subject to approval by the Minister with authority over the Petroleum sector pursuant to applicable law.
- 21.2 No unitisation pursuant to this EPCC or applicable law or any adjustment to the portion of the unitised Discovery allocated to the EPCC Area is considered to be an assignment under this Article.
- 21.3 A Concessionaire may not assign a Participating Interest that represents less than ten percent (10%) of the EPCC total Participating Interest, unless the assignment is to another Concessionaire to this EPCC or as a consequence of a Government approved unitisation.
- 21.4 Save for the case of unitisation, each Concessionaire shall at any time hold at least a Participating Interest in this EPCC of ten percent (10 %).

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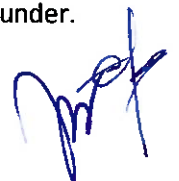



- 21.5 The Concessionaire who has been appointed and assumed position as Operator shall at any time hold at least a Participating Interest in this EPCC of twenty-five percent (25 %), save for the case of unitisation.

#### **Article 22 Force Majeure**

- 22.1 The non-performance or delay in performance, wholly or in part, by the Government or any Concessionaire of any obligation under this EPCC except an obligation to make payments hereunder, shall be excused if, and to the extent that, such non-performance or delay is caused by Force Majeure.
- 22.2 For the purpose of this EPCC, the term Force Majeure means any cause or event beyond the reasonable control of, and not brought about at the instance of, the Party claiming to be affected by such event, and which has caused the non-performance or delay in performance. Without limitation to the generality of the foregoing, events of Force Majeure shall include natural phenomena or calamities including but not limited to, epidemics, earthquakes, storms, lightning, floods, fires, blowouts, wars declared or undeclared, transboundary hostilities, blockades, civil unrest or disturbances, labour disturbances, strikes, quarantine restrictions and unlawful acts of Government.
- 22.3 The Party claiming suspension of its obligations under this EPCC on account of Force Majeure:
- a) promptly notifies the other Parties of the occurrence thereof;
  - b) takes all actions that are reasonable and if necessary, legal actions, to remove the cause of Force Majeure but nothing herein shall require the Concessionaires, subject to applicable law, to resolve any labour dispute except on terms satisfactory to the Concessionaires; and
  - c) upon removal or termination of Force Majeure, promptly notifies the other Parties and takes all reasonable action for the resumption of the performance of its obligations under this EPCC as soon as possible after the removal or termination of Force Majeure.
- 22.4 Where under this EPCC a Concessionaire is required or has the right to do any act or to carry out any programme within a specified period, or the rights of a Concessionaire hereunder are to subsist for a specified period, the specified period shall be extended so as to take reasonable account of any period during which by reason of Force Majeure the Concessionaire has been unable to carry out the programme necessary to exercise a right, carry out its obligations or enjoy its rights hereunder.
- 22.5 Where a Force Majeure situation continues for more than fifteen (15) consecutive days, the Parties shall meet forthwith in order to review the situation and to agree on the measures to be taken for the removal of the cause of Force Majeure and for the resumption in accordance with the provisions of this EPCC of the performance of the obligations hereunder.

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**Article 23 Nature and Extent of Rights of the Concessionaire**

- 23.1 The right of the Concessionaires to use the land, maritime areas or sea bed is subject to applicable law and continues to apply to acreage initially included within the EPCC Area, but subsequently relinquished in accordance with the terms of this EPCC, where such use is reasonably necessary for purposes of conducting Petroleum Operations in the EPCC Area then remaining under this EPCC.
- 23.2 Where in the course of conducting Petroleum Operations in the EPCC Area the Concessionaires causes disturbance to the rights of the lawful occupier of any land or causes damage to his growing crops, trees, buildings, livestock or works, the Concessionaires shall pay to the lawful occupier compensation in respect of such disturbance or damage as Concessionaires may be adjudged liable to pay as a result of final, non-appealable order or judgement of a court or arbitral body under Mozambican jurisdiction.
- 23.3 Where in the course of conducting Petroleum Operations in the EPCC Area the Concessionaires causes disturbance to the rights of a Person having their fishing fields or grounds occupied, aquaculture activities limited, fishing or aquaculture equipment moved to less favourable locations from a maritime resource management or commercial point of view, as well as having their equipment, catch or harvest polluted or damaged the Concessionaires shall pay to the Person affected such compensation in respect of such demonstrable disturbance or damage as the Concessionaires may be adjudged liable to pay by final, non-appealable order or judgement of a court or arbitral body under Mozambican jurisdiction.
- 23.4 For the purposes described in this Article subject to applicable law, in accordance with the provisions of the applicable work programme related thereto and with the consent of, and subject to any terms and condition agreed with any Person having such right, the following rights are granted to the Concessionaires:
- (a) to drill for and have the use of water and impound surface waters and to establish systems for the supply of water for the Petroleum Operations and for consumption by its employees and its Subcontractors;
- (b) extract, dispose and use minerals for Petroleum Operations in Mozambique, materials such as gravel, sand, lime, gypsum, stone and clay;
- (c) to erect, set up, maintain and operate engines, machinery, pipelines, gathering lines, umbilicals, storage tanks, compressor stations, pumping stations, houses, buildings and all other constructions, installations, works, platforms, other facilities and auxiliary equipment which are required in furtherance of its Petroleum Operations;
- (d) to erect, set up, maintain and operate all communication and transportation systems and Facilities but shall not, save for temporary purposes, do so unless drawings of and locations for their sites have been submitted to and approved by the Government, under reasonable conditions of installation and operation of such systems and Facilities;

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

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

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

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

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

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

(a) endeavour to not affect the normal execution of long-term gas sales contracts approved by Government;

(b) take Petroleum, in the following priority

- i any Petroleum taken in kind as Petroleum Production Tax;
- ii the Government's Profit Petroleum;
- iii ENH's Profit Petroleum;
- iv Concessionaires' Profit Petroleum;
- v Cost Petroleum;

(c) give not less than forty five (45) days' notice in regard of Crude Oil and ninety (90) days in regard of Natural Gas of the exercise of such right and of the volumes it

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wishes to acquire, and the Concessionaires shall supply the volumes so notified from the Petroleum to which the Concessionaires are entitled under this EPCC at the Delivery Point or such point that may be agreed or such point within Mozambican jurisdiction designated by the Government. Additional cost incurred by the Concessionaire in order to deliver such Petroleum at any other point than the Delivery Point with facilities and equipment in place shall be reimbursed to the Concessionaires by the Government and the cost of any new facilities and equipment to be used for such delivery shall be paid by the Government;

- (d) pay the Concessionaires the full market value of the Petroleum so acquired determined in accordance with Article 10.7. Payment for the Petroleum so acquired in any calendar month shall be made in United States dollars within thirty (30) days after the end of that calendar month. The Concessionaire may receive, remit and retain abroad and freely dispose of all or any part of the sums so paid;
- (e) where the normal execution of non-long term sales contracts approved by Government is affected, such acquisition is subject to compensation of proven documented foreseeable emerging losses ("danos emergentes"); and
- (f) where the normal execution of long-term gas sales contracts approved by Government are affected, then such acquisition is subject to compensation of proven documented emerging losses and foreseeable loss of profits ("danos emergentes e lucros cessantes").

#### **Article 24 Environmental Protection**

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

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## Article 25 Surrender and Cancellation

25.1 The Concessionaires may pursuant to applicable law:

- a) surrender its rights in respect of the entire EPCC Area if its obligations in respect of any Exploration sub-period have been fulfilled, with the consequence that no new obligations will thereafter accrue; and
- b) at any time, surrender their rights in respect of any acreage forming part of the EPCC Area with the consequence that no new obligations will thereafter accrue in respect of such acreage, provided, however, that no surrender by the Concessionaires of their rights over any part of the EPCC Area shall relieve the Concessionaire of any of its obligations as set out in Article 4.

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

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

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

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

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

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

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

The Minister with authority over the petroleum sector may revoke this EPCC forthwith if the Concessionaire within sixty (60) days from Concessionaire's receipt of such notice of breach of law or the EPCC terms and conditions

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

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

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

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

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

- 25.3 In the event that there is more than one Concessionaire, and there are justified grounds for revocation of the EPCC by Government pursuant to applicable law, the Government may not revoke this EPCC unless the grounds for the revocation apply to all of the Concessionaires. If

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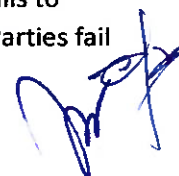
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the grounds for revocation apply to less than all Concessionaires the Government may only revoke the respective Concessionaire's Participating Interest of that Concessionaire in material breach.

**Article 26 Consultation, Arbitration and Independent Expert**

- 26.1 For the purpose of this article, there are two Parties, the Government and the Concessionaire. Any dispute between the Parties shall be subject to this Article.
- 26.2 A dispute shall be resolved, if possible, by negotiation between the Parties. A notice of the existence of a dispute shall be given by a Party to another in accordance with the provisions of notices in Article 33. In the event that no agreement is reached within ninety (90) days after the date one Party notifies the other that a dispute exists, or such longer period that is specifically provided for elsewhere in this EPCC, either Party shall have the right to have such dispute determined by arbitration or an expert as provided for in this Article 26. Arbitration and expert determination as aforesaid shall be the exclusive method of determining a dispute under this EPCC.
- 26.3 Subject to the provisions of this Article 26, and save for any matter to be referred to a sole expert as provided in Article 26.6, the Parties shall submit any dispute arising out of or in connection with this EPCC which cannot be resolved by negotiation, including the compensation for expropriation which may be set by a panel acting pursuant to Article 45 of the Petroleum Law as provided in Article 26.2 to arbitration as hereinafter provided:
- (a) all disputes referred to arbitration shall be finally settled under the United Nations Commission on International Trade Law ("UNCITRAL") Arbitration Rules in force at the Effective Date;
  - (b) the seat of the arbitration shall be Geneva in Switzerland, the administrative law of the arbitration shall be Swiss law and the substantive law of the arbitration shall be Mozambican law.
  - (c) The arbitration shall be conducted in the English language. Notwithstanding Article 28, the English version of this EPCC initialized by the Parties as a supporting document shall be used as the official translation in arbitral proceedings;
  - (d) an award by an arbitrator or arbitrators shall be final and binding on all Parties;
  - (e) the arbitral panel shall be composed of 3 (three) arbitrators to be appointed in accordance with the UNCITRAL Rules, provided that, upon mutual agreement of both Parties, the arbitration is to be conducted by a sole arbitrator appointed under the UNCITRAL Rules. Unless both Parties have agreed that the dispute shall be settled by a sole arbitrator, the claimant Party shall nominate in the request for arbitration, and the respondent Party shall nominate within 30 (thirty) days of the registration of the request, one (1) arbitrator pursuant to the UNCITRAL Rules. Within a period of 30 (thirty) days from the date when both arbitrators have accepted their appointments the arbitrators so appointed shall agree on a third arbitrator, who shall act as Chairman of the arbitral tribunal. If either Party fails to nominate an arbitrator as provided above, or if the arbitrators nominated by the Parties fail

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to agree on a third arbitrator within the period specified above, then the appointing authority, which shall be the Permanent Court of Arbitration in The Hague, upon request of either Party shall make such appointments as necessary in accordance with the UNCITRAL Rules. If both Parties have agreed that the dispute shall be settled by a sole arbitrator, the sole arbitrator shall be nominated by agreement between them subject to acceptance by the nominated arbitrator; provided that if the Parties are unable to agree on a nominee for sole arbitrator within 30 (thirty) days from the date when the notice of arbitration was given to the respondent Party, then the Secretary-General of the Permanent Court of Arbitration upon request of either Party shall appoint the sole arbitrator in accordance with the UNCITRAL Rules;

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

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

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

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

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

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

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

26.5 Any matter in dispute of a technical nature not involving interpretation of law or the application of this EPCC and which is required to be referred to a sole expert for determination under the provisions of this EPCC, including on valuation in Article 10.4 (e) of this EPCC and Article 2.1 (e) of Annex "C", or other issues of a substantially equivalent nature to said provisions, or with respect to any other matter which the Parties may otherwise agree to so refer, shall be referred to a sole expert for determination by a Party giving notice to such effect pursuant to Article 33. Such notice shall contain a statement describing the dispute and all relevant information associated therewith. A sole expert shall be an independent and impartial person of international standing with relevant qualifications and experience appointed pursuant to the mutual agreement of the Parties. Any sole expert appointed shall act as an expert and not as an arbitrator or mediator and shall be instructed to endeavour to resolve the dispute referred to him within thirty (30) days of his appointment, but in any event within sixty (60) days of the appointment. Upon the selection

of the sole expert, the Party receiving the notice of referral above shall submit its own statement containing all information it considers relevant with respect to the matter in dispute. The decision of the sole expert shall be final and binding and not subject to any appeal, save for fraud, corruption or manifest disregard of applicable procedure of this EPCC. If the Parties are unable to agree on the appointment of a sole expert within twenty (20) days after a Party has received a notice of referral under this Article the sole expert shall be selected by the President of the Institute of Energy, London, and the person so selected shall be appointed by the Parties.

- 26.6 The sole expert shall decide the manner in which any determination is made, including whether the Parties shall make oral or written submissions and arguments, and the Parties shall co-operate with the sole expert and provide such documentation and information as the sole expert may request. All correspondence, documentation and information provided by a Party to the sole expert shall be copied to the other Party, and any oral submissions to the sole expert shall be made in the presence of all Parties and each Party shall have a right of response. The sole expert may obtain any independent professional or technical advice as the sole expert considers necessary. The English version of this EPCC initialized by the Parties as a supporting document shall be used as the official translation in any determination by the sole expert. The fees and expenses of a sole expert appointed under the provisions of Article 26.5 shall be borne equally by the Parties.
- 26.7 The Parties hereby agree not to exercise any right to institute proceedings to set aside any interim or final arbitral award made pursuant to this Article 26, except that nothing in this Article 26.7 shall be read or construed as imposing any limitation or constraint on either Party's right to seek to contest enforcement any such interim or final arbitral award rendered by an arbitral tribunal appointed in accordance with this Article 26 on the limited grounds and in accordance with the procedure set forth in Article V of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

#### **Article 27      Applicable Law**

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

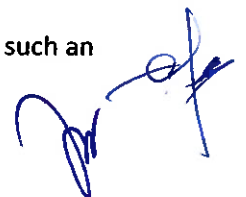
#### **Article 28      Language**

This EPCC is drawn up in four (4) originals in the Portuguese language, for signature by the Government and the Concessionaires. One signed Portuguese original will be retained by each of the Parties. An English language translation is to be prepared and initialed as a supporting document by the Parties to this EPCC. However, in case of conflict between the Portuguese original text and the English translation, the Portuguese original text shall prevail.

#### **Article 29      Joint Operating Agreement**

- 29.1 A Joint Operating Agreement shall be signed between the Concessionaires immediately upon entering into this EPCC.
- 29.2 The Joint Operating Agreement is subject to the approval of the Government and such an approval is a condition for the EPCC.

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

#### **Article 30 Future Agreements**

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

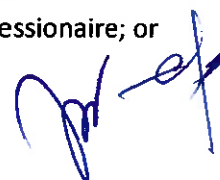
#### **Article 31 Foreign Exchange**

For the purposes and terms of this EPCC, matters relating to the exchange regime will be governed by Law No. 11/2009 of March 11, by Notice No. 20 / GBM / 2017 of December 27, as well as by other regulations issued by the Bank of Mozambique in force at the time of signature of the EPCC.

#### **Article 32 Prevention of Corruption**

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

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

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

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

**Article 34 Stability of Economic Benefit**

34.1 In the event of a change in legislation affecting Petroleum Operations that causes a material adverse impact to the expected economic benefit of the Concessionaire or of the Government under this EPCC, the Parties shall, following enactment of such change in legislation, meet to verify and seek agreement on adjustments required to restore the economic benefit the Concessionaire or the Government would have derived if such legislation had not been enacted.

34.2 The provisions of this Article are not applicable to changes in legislation pertaining to health, safety, labour, social security or the environment as in line with international practice or to the elements that are subject to fiscal stability under Article 40 of Law No. 27 /2014 of September 23 of 2014, as amended by Law 14/2017 of 28 December.

34.3 For the purposes of this Article 34

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

**Article 35 Notices**

35.1 All notices, invoices and other communications hereunder shall be deemed to have been properly given or presented, if delivered in writing in person or by courier or sent by facsimile confirmed by courier at the addresses indicated in this Article 33.2 with the charges associated with the delivery of the notice, invoice or other communication being paid by the sender.

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35.2 All such notices shall be addressed to the Government or the Concessionaire, as the case may be, as follows:

(a) The Government:

**MINISTÉRIO DOS RECURSOS MINERAIS E ENERGIA**

Prédio Montepio, Avenida Fernão de Magalhães, 34, 1st floor

Caixa Postal 4724

Maputo, Mozambique

To the Attention of: Chairman of the National Petroleum Institute

Telephone: +258 21320618

Fax: +258 21320620

a) **ENI MOZAMBICO S.p.A.**

Rua dos Desportistas, n. 918, Prédio JAT V-3, 1º Andar

To the attention of: General Manager

Telephone: +258 213 445 545

Fax: +258 214 20200

B) **SASOL PETROLEUM MOZAMBIQUE EXPLORATION, LIMITADA**

Rua dos Desportistas, n. 833, Prédio JAT V-3, 11º & 12º Andares

To the attention of: Country Manager

Telephone: +258 21 35 74 00

Fax: +258 21 311710

c) **EMPRESA NACIONAL DE HIDROCARBONETOS, E.P.**

Av. 25 de Setembro, n.º 270

Times Square, Bloco 1, 2.º Andar

CP 4787 Maputo, Moçambique

To the attention of: Chairman

Telephone: +258 21 429456, +258 21 429467

Fax : +258 21 324808

35.3 Subject to Article 33.4 each Party hereto may substitute or change the aforesaid addresses by giving written notice thereof to the others.

35.4 Each Concessionaire shall at all times maintain an address in Maputo for the purpose of service of notice.

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IN WITNESS WHEREOF, the Government and each Concessionaire have signed this EPCC in four (4) Portuguese language originals as of the date first herein above stated.

The Government

By: 

Ernesto Max Tonela

Minister of Mineral Resources and Energy

Date: 12/ October/ 2018

Eni Mozambico S.p.A.


By: 

Name: Stefano Carbonara

Position: General Manager

Date: 17/10/18

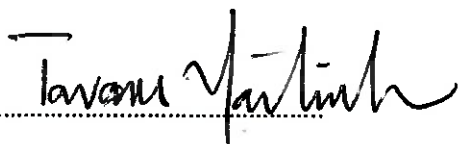
Empresa Nacional de Hidrocarbonetos, E.P.

By: 

Name: Omar Mitha

Position: Chairman

Date: 24/10/18

By: 

Name : Tavares Martinho

Position: Vice President Exploration and Production

Date: 17.10.2018



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Sasol Petroleum Mozambique Exploration, Limitada

By.....

Name: Peter Manoogian

Position: Vice President - Country Management

Date: .....17-10-'18.....

A handwritten signature in blue ink, located in the bottom right corner of the page. The signature is stylized and appears to be the name of the signatory.

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ANNEX A

Description of Contract Area

Area A5-A 5,133 Km<sup>2</sup>

Vertex	Longitude	Latitude
1	40° 26' 48.120" E	16° 0' 34.200" S
2	40° 48' 20.520" E	16° 11' 52.800" S
3	40° 37' 30.000" E	16° 22' 30.000" S
4	40° 15' 0.000" E	16° 45' 0.000" S
5	39° 57' 11.880" E	17° 2' 57.480" S
6	39° 40' 48.360" E	16° 46' 33.960" S
7	39° 43' 39.360" E	16° 43' 42.960" S
8	39° 47' 28.320" E	16° 42' 28.440" S
9	39° 49' 35.040" E	16° 40' 58.800" S
10	39° 52' 14.520" E	16° 37' 51.600" S
11	39° 55' 53.760" E	16° 35' 7.800" S
12	39° 58' 58.800" E	16° 32' 0.240" S
13	40° 0' 5.760" E	16° 29' 1.320" S
14	39° 59' 3.480" E	16° 28' 18.840" S

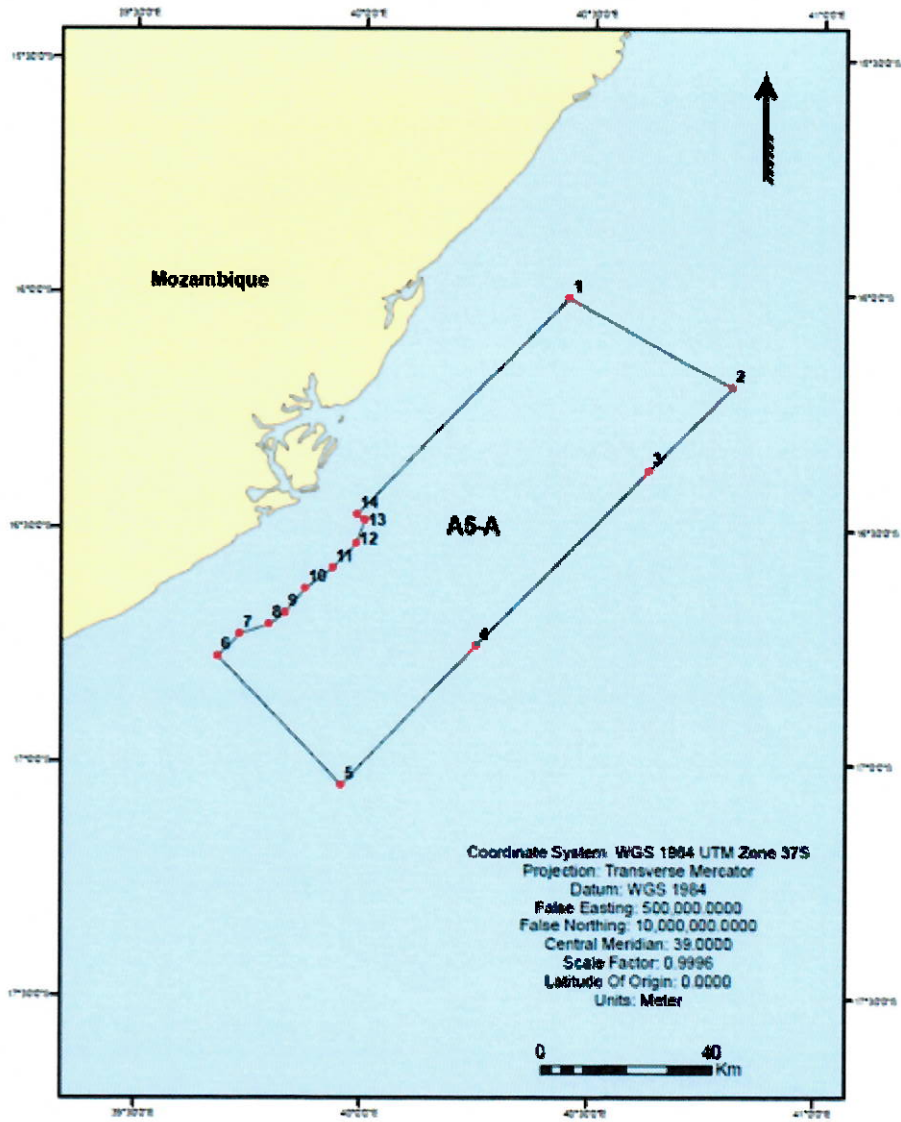


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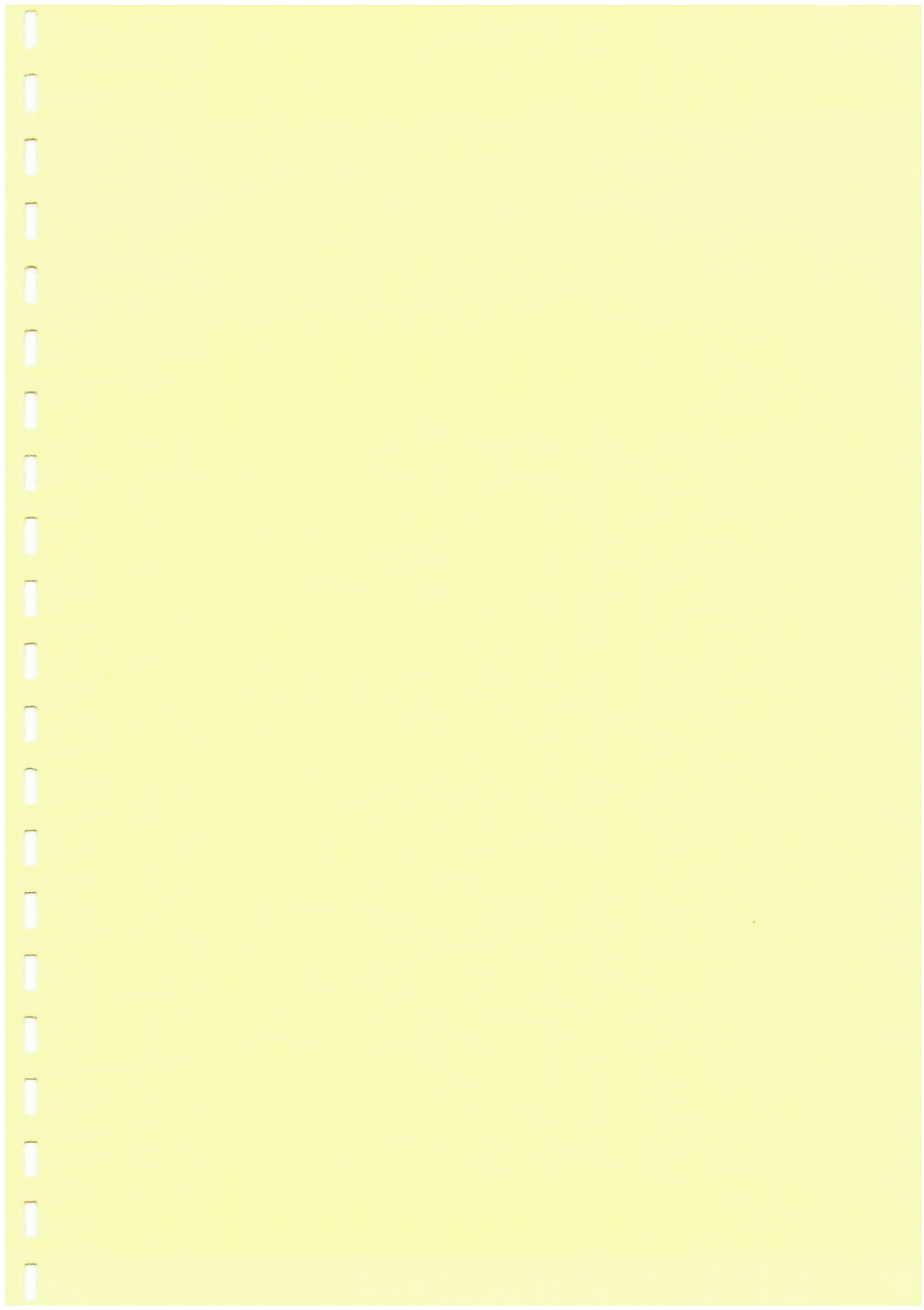
ANNEX B

Map of EPCC Area A5-A



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## Annex "C"

## EPCC Accounting and Financial Procedure

This Annex is attached to and made part of the Exploration and Production Concession Contract dated [.....20...] entered into between the Government of the Republic of Mozambique to Eni Mozambique S.p.A. (Eni), Sasol Petroleum Mozambique Exploration, Limitada (Sasol) and Empresa Nacional de Hidrocarbonetos, E.P. (ENH) (hereinafter referred to as "the EPCC").

**1 Section 1 General Provisions****1.1 Definitions**

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

**1.2 Statements required to be submitted by the Concessionaires**

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

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

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

1.2(b) Notwithstanding the generality of the foregoing, the Concessionaires are required to make regular statements relating to the Petroleum Operations. These Statements are as follows:

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- (i) Production Statement (see Section 5 of this Annex);
- (ii) Value of Production and Petroleum Production Tax Statement (see Section 6 of this Annex);
- (iii) Cost Recovery Statement (see Section 7 of this Annex);
- (iv) LNG Price Statement (see Section 7 of this Annex);
- (v) Statement of Expenditures and Receipts (see Section 8 of this Annex);
- (vi) Final End-of-Year Statement (see Section 9 of this Annex);
- (vii) Budget (see Section 10 of this Annex);
- (viii) Long Range Plans (see Section 11 of this Annex).

(c) All reports and statements will be prepared in accordance with the EPCC, applicable law and, where there are no relevant provisions in either of these, in accordance with generally accepted and recognised accounting principles used in the international petroleum industry.

### 1.3 Language and Units of Account

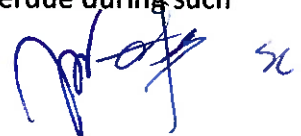
- (a) Accounts shall be maintained in United States dollars and such other currency as may be required under the applicable law. For cost recovery purposes, the currency of reference shall be the US Dollar. Metric units and barrels shall be employed for measurements required under this Annex.
- (b) Concessionaires may, subject to the authorization of the Minister responsible for the area of Finance, opt for the use of US dollars as presentation currency, and this option shall not be changed during the life of the project provided that:
  - (i) the investments realised are equivalent or in excess of United States Dollars 500,000,000.00. Such investments are deemed to include all costs incurred as per the Cost Recovery Statement, and
  - (ii) at least 90 per cent of the Concessionaire's transactions are carried out in United States Dollars. The currency of the transactions is deemed to be the payment currency for the transactions.
- (c) Once the authorization of the Minister responsible for the area of Finance has been obtained, the accounting considered will be those in US Dollars, from the effective date of the Contract, and there is no need to convert the accounts in Meticaís to US Dollars
- (d) For the purposes of the preceding paragraph, the Concessionaire shall submit, since the effective date, to the competent entities of the Government the accounting in Meticaís and in US Dollars



- (e) The language used will be English and any other language that may be required under applicable law. When necessary, for clarification, the Concessionaire may also maintain accounts and records in other languages, units of measurement and currencies.
- (f) These Accounting and Financial Procedures are intended to ensure that neither the Government nor the Concessionaire obtain any gain or suffer any loss from the exchange rate variation to the detriment or benefit of the other. However, should any gain or loss occur as a result of a currency conversion, it will be credited or debited to accounts under the EPCC.
- (g) Amounts received and costs and expenditures made in Mozambican Meticaïs or in United States dollars shall be converted from Mozambican Meticaïs into United States dollars or from United States dollars into Mozambican Meticaïs on the basis of the average of the buying and selling exchange rates between the currencies in question as published by Banco de Moçambique or in accordance with the applicable law, prevailing on the actual day of the transaction on which such amounts are received and costs and expenditures are paid, or as agreed by the Parties.
- (h) Amounts received and costs and expenditures incurred in currencies other than Mozambican Meticaïs or in United States dollars shall be converted into United States dollars on the basis of the average of the buying and selling exchange rates between the currencies in question as published by the Wall Street Journal, or if not published by the Wall Street Journal, then by the Financial Times, prevailing on the actual day of the transaction on which such amounts are received and costs and expenditures are paid, or as agreed by the Parties.

#### 1.4 Payments

- (a) Except as provided in Subsections 1.4(b) and (c), all payments between the Parties shall, unless otherwise agreed, be in United States dollars and through a bank designated by each receiving Party.
- (b) Payment of any tax by a Concessionaire shall be made in accordance with the provisions of the EPCC and the applicable law.
- (c) Discharge of a Concessionaire's obligation with respect to the Petroleum Production Tax and the Government's share of Profit Petroleum shall be made in accordance with the EPCC.
- (d) All sums due and payable in Meticaïs by a Concessionaire to the Government under the EPCC during any calendar month shall, for each day such sums are overdue during such



month, bear interest compounded daily at an annual rate as required by Mozambican law.

- (e) All sums due and payable in other currencies by a Concessionaire to the Government under the EPCC during any calendar month shall, for each day such sums are overdue during such month, bear interest compounded daily at an annual rate equal to LIBOR or equivalent plus three (3) percentage points.

### **1.5 Audit and Inspection Rights of the Government**

- (a) Upon giving the Concessionaires thirty (30) calendar days' notice, the competent authority of the Government shall have the right to audit the Concessionaires' accounts and records maintained hereunder with respect to each calendar year within 5 (five) years from the end of each such calendar year. Notice of any exception to the Concessionaires' accounts of any calendar year must be submitted to the Concessionaires within five (5) years from the end of such calendar year. For purposes of auditing, the Government may examine and verify at reasonable times all charges and credits relating to the Petroleum Operations such as books of account, accounting entries, material records and any other documents, correspondence and records necessary to audit and verify the charges and credits. Furthermore, the auditors shall have the right in connection with such audit to visit and inspect, subject to reasonable notification, all sites, plants, facilities, warehouses and offices of the Concessionaires serving the Petroleum Operations including visiting personnel associated with those operations.
- (b) Without prejudice to the finality of matters as described in Subsection 1.5(a) all documents referred to in that sub-section shall be maintained and made available for inspection and audit by the Government for such a time as prescribed by the applicable law.
- (c) In the event that Government does not conduct an audit with respect to a calendar year or conducts the audit but does not issue an audit report within the time specified in Subsection 1.5 (a) above, Government shall be deemed not to have objected to the Cost Recovery Statement prepared and maintained by the Concessionaires and such Cost Recovery Statement shall be considered true and correct for Cost Recovery purposes for such calendar year save for manifest disregard of applicable procedure, fraud or wilful misconduct. In case where Government conducts a review and issues an audit report, Government shall be deemed not to have objected to the Cost Recovery Statement and such Cost Recovery Statement shall be considered true and correct for Cost Recovery purposes for such calendar year with respect to each item which is not the subject of an exception in such audit report, save for manifest disregard of applicable procedure, fraud or wilful misconduct.



## Section 2 Classification, Definition and Allocation of Costs and Expenditures

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

### 2.1 Exploration Costs

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

- (a) Aerial, geophysical, geochemical, paleontological, geological, topographical and seismic surveys and studies and their interpretation.
- (b) Core hole drilling and drilling of water-Wells related to the Petroleum Operations.
- (c) Labour, materials and services used in drilling Wells with the object of finding new Petroleum Deposits or for the purpose of appraising the extent of Petroleum Deposits already discovered provided such Wells are not completed as Production Wells.
- (d) Facilities used solely in support of these purposes including access roads and purchased geological and geophysical information.
- (e) Service Costs allocated to the Exploration operations pursuant to applicable law or in absence of such law agreed to between the Government and the Concessionaires on a systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 26 of the EPCC.
- (f) General and Administrative Expenses allocated to the Exploration Operations pursuant to applicable law or in absence of such law agreed to between the Government and the Concessionaires on a systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 26 of the EPCC.

### 2.2 Development and Production Capital Expenditures

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

- (a) Drilling of Wells which are completed as producing Wells and drilling of Wells for purposes of Production from a Petroleum Deposits already discovered whether these Wells are dry or producing.
- (b) Completing of Wells by way of installation of casing or equipment or otherwise after a Well has been drilled for the purpose of bringing the Well into use as a producing Well.
- (c) Intangible drilling costs such as labour, consumable material and services having no salvage value which are incurred in drilling and deepening of Wells for Production purposes.

- (d) The costs of construction and installation of Facilities for Petroleum Operations pursuant to the approved Development Plan, such as: flow lines, Production and treatment units, Wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms including floating units, onshore or offshore liquefaction, storage and offloading Facilities, Petroleum storage facilities, export terminals and piers, harbours and related facilities, access roads for Production activities.
- (e) Engineering and design studies for Facilities for Petroleum Operations.
- (f) Service Costs allocated to Development and Production on a basis determined by applicable law or in absence of such law agreed to between the Government and the Concessionaires on a systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 26 of the EPCC.
- (g) General and Administrative Expenses allocated to the Development and Production on a basis determined by applicable law or in absence of such law, agreed to between the Government and the Concessionaires on a systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 26 of the EPCC.

### **2.3 Operating Costs**

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

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

### **2.4 Service Costs**

These are direct and indirect expenditures in support of the Petroleum Operations including warehouses, offices, camps, piers, marine vessels, vehicles, motorised rolling equipment, aircraft, fire and security stations, workshops, water and sewage plants, power plants, housing, community and recreational facilities and furniture, tools and equipment used in these activities. Service costs in any calendar year shall include the total costs incurred in such year to purchase and/or construct said facilities as well as the annual costs to maintain and operate the same. All

Service Costs will be regularly allocated as specified in Subsections 2.1(e), 2.2(g) and 2.3 to Exploration Costs, Development and Production Capital Expenditures and Operating Costs.

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

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

## **2.5 General and Administrative Expenses**

- (a) All main office, field office and general administrative costs in the Republic of Mozambique including but not limited to supervisory, accounting and employee relations services.
- (b) An overhead charge for services rendered outside the Republic of Mozambique for managing the Petroleum Operations and for staff advice and assistance including financial, legal, accounting and employee relations services. This charge shall be five percent (5%) of contract costs up to five million US dollars (US\$5,000,000), three percent (3%) of that portion of contract costs between five million US dollars (US\$5,000,000) and ten million US dollars (US\$10,000,000) and one and one half percent (1.5%) of contract costs which are in excess of ten million US dollars (US\$10,000,000). The contract costs referred to herein shall include all Exploration Costs, Development and Production Capital Expenditures, Operating Costs and Service Costs.
- (c) All General and Administrative Expenses will be regularly allocated as specified in Subsections 2.1(f), 2.2(h) and 2.3 to Exploration Costs, Development and Production Capital Expenditures and Operating Costs.

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



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

## 2.6 Decommissioning Fund

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

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

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

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

$QD = (ECA \times CPP/EPR) - DFB$  where:

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

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

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

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

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

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

#### 3.1 Costs recoverable without further approval of the Government

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

##### (a) Surface Rights

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

##### (b) Labour and Associated Labour Costs

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

- (iv) the Concessionaire's cost of established plans for employees' life insurance, hospitalisation, pensions, and other benefits of a like nature customarily granted to the Concessionaire's employees;
- (v) reasonable travel and personal expenses of employees of the Concessionaire including those made for travel and relocation of the expatriate employees and their families assigned to the Republic of Mozambique, all of which shall be in accordance with the Concessionaire's normal practice;

(c) Transport of employees and materials

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

(d) Charges for Services

i. Third Party Contracts

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

ii. Affiliated Companies of a Concessionaire

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

(e) Materials

i. General Principle

Subject to applicable law and so far as is practicable and consistent with efficient, economical and internationally accepted operational requirements, only such



material shall be purchased or furnished by the Concessionaires for use in the Petroleum Operations as may be required for use in the reasonably foreseeable future and to the extent that such purchase or supply are in accordance with the EPCC.

ii. **Warranty of Material**

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

iii. **Value of material charged to the accounts under the EPCC**

(a) Except as otherwise provided in (b) below material purchased by the Concessionaires for use in the Petroleum Operations shall be valued to include invoice price less trade and cash discounts (if any), purchase and procurement fees plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination, insurance, taxes, customs duties, consular fees, other items chargeable against imported material and where applicable handling and transportation expenses from point of importation to warehouse or operating site, and its costs should not exceed those currently prevailing in normal arms-length transactions on the open market.

(b) Materials purchased from Affiliated Companies of a Concessionaire shall be charged at the prices specified in items (1) and (2) hereof.

(1) New material (condition "A") shall be valued at the current international price which should not exceed the price prevailing in normal arms-length transactions on the open market.

2) **Used material (conditions "B" and "C")**

(i) material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classified as condition "B" and priced at seventy-five percent (75%) of the current price of new materials defined in (1) above.

(ii) material which cannot be classified as condition "B" but which:

(a) after reconditioning will be further serviceable for original function as good second-hand material condition "B", or

(b) is serviceable for original function but substantially not suitable for reconditioning, shall be classified as condition "C" and priced at fifty

percent (50%) of the current price of new material as defined in (1) above. The cost of reconditioning shall be charged to the reconditioned material provided that the condition "C" material value plus the cost of reconditioning does not exceed the value of condition "B" material.

- (iii) material which cannot be classified as condition "B" or condition "C" shall be priced at a value commensurate with its use.
- (iv) material involving erection costs shall be charged at the applicable percentage, in accordance to its condition, of the current dismantled price of new material as defined in (1) above.
- (v) when the use of material is temporary and its service to the Petroleum Operations does not justify the reduction in price as provided for in (2) (ii) hereof, such material shall be priced on a basis that will result in a net charge to the accounts under the EPCC consistent

(f) Rentals, Duties and Other Assessments

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

(g) Insurance and Losses

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

(h) Legal Expenses

All costs and expenses of litigation and legal or related services necessary or expedient for the procuring, perfecting, retention and protection of the EPCC Area, and in defending or prosecuting lawsuits involving the EPCC Area or any third party claim arising out of activities under the EPCC, or sums paid in respect of legal services necessary or expedient

for the protection of joint interest of the Government and the Concessionaires are recoverable. Where legal services are rendered in such matters by salaried or regularly retained lawyers of the Concessionaires or an Affiliated Company of the Concessionaires, such compensation will be included instead under Subsection 3.1(b) or 3.1(d) above, as applicable.

(i) Training Costs

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

(j) General and Administrative Expenses

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

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

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

**3.2 Costs not recoverable under the EPCC**

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

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

(c) Petroleum Production Tax and Corporate Income Tax.

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

(e) Interests and other financial costs.

**3.3 Recoverability and Deductibility**

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

**3.4 Credit under the EPCC**

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

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

### 3.5 Duplication of Charges and Credits

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

### 3.6 Priority of Recoverable Costs

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

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

## Section 3-A Deductions

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

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

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

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

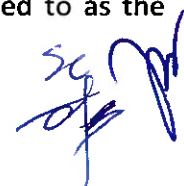
3-A.4 Costs incurred by Concessionaires which are within the scope of the overhead charge in subsection 2.5(b) shall not be charged as Deductions.

#### **Section 4 Records and Valuation of Assets**

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

#### **Section 5 Production Statement**

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



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

- (a) The quantity of Crude Oil produced.
- (b) The quantity of Natural Gas produced.
- (c) The quantities of Petroleum used for the purposes of Petroleum Operations, without prejudice to the specificities of item 5.1 (g) (iii) below.
- (d) The quantities of Natural Gas flared.
- (e) The size of Petroleum stocks held at the beginning of the month.
- (f) The size of Petroleum stocks held at the end of the month;
- (g) Where Natural Gas sold as LNG:
  - (i) quantities of Natural Gas delivered at the inlet flange, expressed in MMscf / MMsm<sup>3</sup>;
  - (ii) quantities loaded into LNG vessels at the Delivery Point, net of vapour return, expressed in m<sup>3</sup>;
  - (iii) quantities used or lost in the LNG plant, expressed in m<sup>3</sup>;
  - (iv) the size of stocks of LNG held at the beginning of the month, expressed in m<sup>3</sup>;
  - (v) the size of stocks of LNG held at the end of the month, expressed in m<sup>3</sup>;
- (h) Any other relevant information as may be required under the applicable law.

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

## **Section 6 Value of Production and Petroleum Production Tax Statement**

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

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

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

## **Section 7 Cost Recovery Statement**

7.1 The Concessionaires shall prepare and submit to the Ministries with authority over the sector and the finance sector with respect to each calendar quarter a cost recovery statement (hereinafter referred to as the "Cost Recovery Statement") containing the following information:

- (a) Recoverable costs carried forward from the previous quarter, if any.
- (b) Recoverable costs for the quarter in question.

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- (c) Total recoverable costs for the quarter in question (Subsection 7.1(a) plus Subsection 7.1(b)).
- (d) Quantity and value of Cost Petroleum taken proportionally in Crude Oil and Natural Gas (including LNG) by each Concessionaire for the quarter in question.
- (e) EPCC costs recovered for the quarter in question.
- (f) Total cumulative amount of EPCC costs recovered up to the end of the quarter in question.
- (g) Amount of recoverable EPCC costs to be carried forward into the next quarter.

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

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

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

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

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

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

### **Section 8            Statement of Expenditure and Receipts**

8.1 The Concessionaires shall prepare with respect to each calendar quarter a statement of expenditures and receipts under the EPCC (hereinafter referred to as the "Statement of

Expenditure and Receipts"). The statement will distinguish between Exploration Costs, Development and Production Capital Expenditures and Operating Costs and Decommissioning costs including amounts drawn from the Decommissioning Fund and will identify major items of expenditures within these categories. The statement will show the following:

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

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

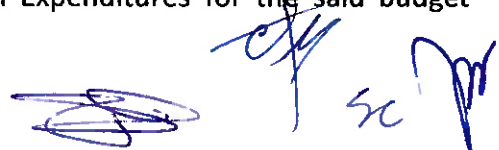
#### **Section 9 End-of-Year Statement**

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

#### **Section 10 Budget**

10.1 The Concessionaires shall prepare an annual budget statement (hereinafter referred to as the "Budget"). This will distinguish between Exploration Costs, Development and Production Capital Expenditures and Operating Costs and will show the following:

- (a) Forecast expenditures and receipts for the budget year under the EPCC.
- (b) Forecast cumulative expenditures and receipts to the end of the said budget year.
- (c) A schedule showing the most important individual items of forecast Development and Production Capital Expenditures for the said budget year.



- 10.2 The Budget Statement shall be submitted to the Government with respect to each budget year no less than ninety (90) calendar days before the start of the year except in the case of the first year of the EPCC when the Budget Statement shall be submitted within sixty (60) calendar days of the Effective Date.
- 10.3 It is recognised by the Concessionaires and the Government that the details of the Budget Statement may require changes in the light of existing circumstances and nothing herein contained shall limit the flexibility to make such changes. Consistent with the foregoing, the revision of said Statement is provided for annually.
- 10.4 Where Natural Gas is sold as LNG the Budget Statement shall include forecast Deductions.

## **Section 11 Long Range Plan and Forecast**

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

### **11.1 Exploration Plan**

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

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

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

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

### **11.2 Development Forecast**

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

The Development Forecast shall contain the following information:

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

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

### **11.3 Changes of Plan and Forecast**

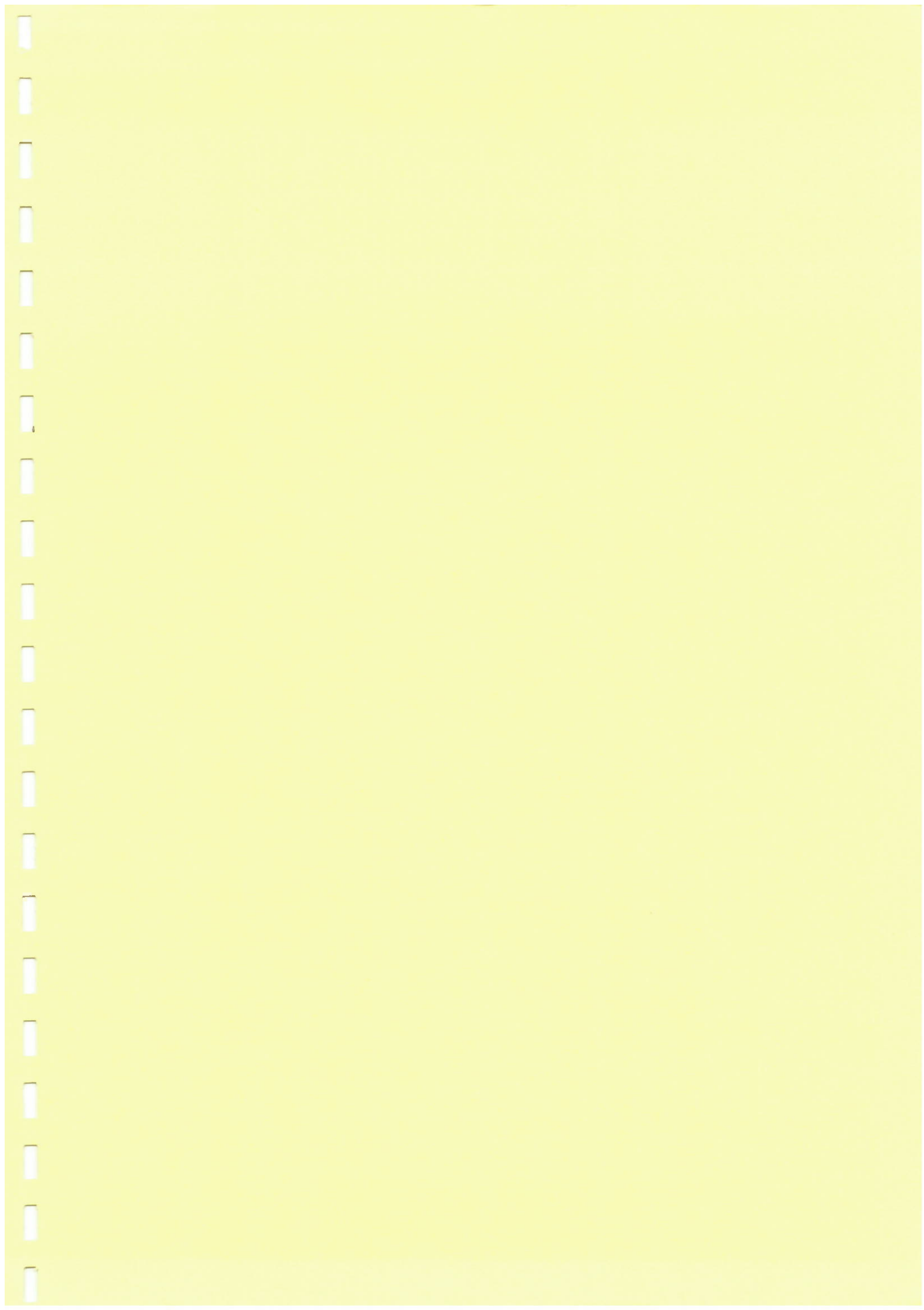
It is recognised by the Concessionaires and the Government that the details of the Exploration Plan and Development Forecast may require changes in the light of existing circumstances and nothing herein contained shall limit the flexibility to make such changes. Consistent with the foregoing the revision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

### **Section 12 Revision of Accounting and Financial Procedures**

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

### **Section 13 Conflict with the EPCC**

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



**ANNEX "D"****Bank Guarantee**

[Date]

Ministry of Mineral Resources and Energy  
The Minister of Mineral Resources and Energy  
Av. Fernão de Magalhães, 34, 1st Floor  
Maputo, Mozambique

1. We understand that on \_\_\_\_\_ 2018, the Government of the Republic of Mozambique, Empresa Nacional de Hidrocarbonetos, E.P. (ENH), [..... ] (the latter also the "Guaranteed Party") entered into an Exploration and Production Concession Contract for Area A5-A in Mozambique (the "EPCC"). For purposes of this Bank Guarantee, ENH and the Guaranteed Party are collectively referred to as the "Concessionaires". Capitalised words not defined in this Bank Guarantee shall have the meaning ascribed to them in the EPCC.
2. We, the undersigned [BANK LEGAL NAME] (the "Bank"), hereby, save for the conditions stipulated below in clause 5, unconditionally and irrevocably guarantee in favour of the Government of the Republic of Mozambique (the "Government") the due and punctual payment of all sums owed to the Government and unpaid by the Guaranteed Party in respect of the Concessionaires' failure to fulfil the Exploration work commitment in relation to the ..... sub-period of the Exploration Period, up to a maximum of United States Dollars \_\_\_\_\_ (US\$ \_\_,000,000).
3. The guarantee amount referred to in clause 2 above shall be reduced from time to time upon delivery to the Bank of a certificate from the Guaranteed Party countersigned on behalf of the Government setting forth the amount of such reduction based on completion of the corresponding items of the Exploration work commitment determined according to Article 4 of the EPCC.





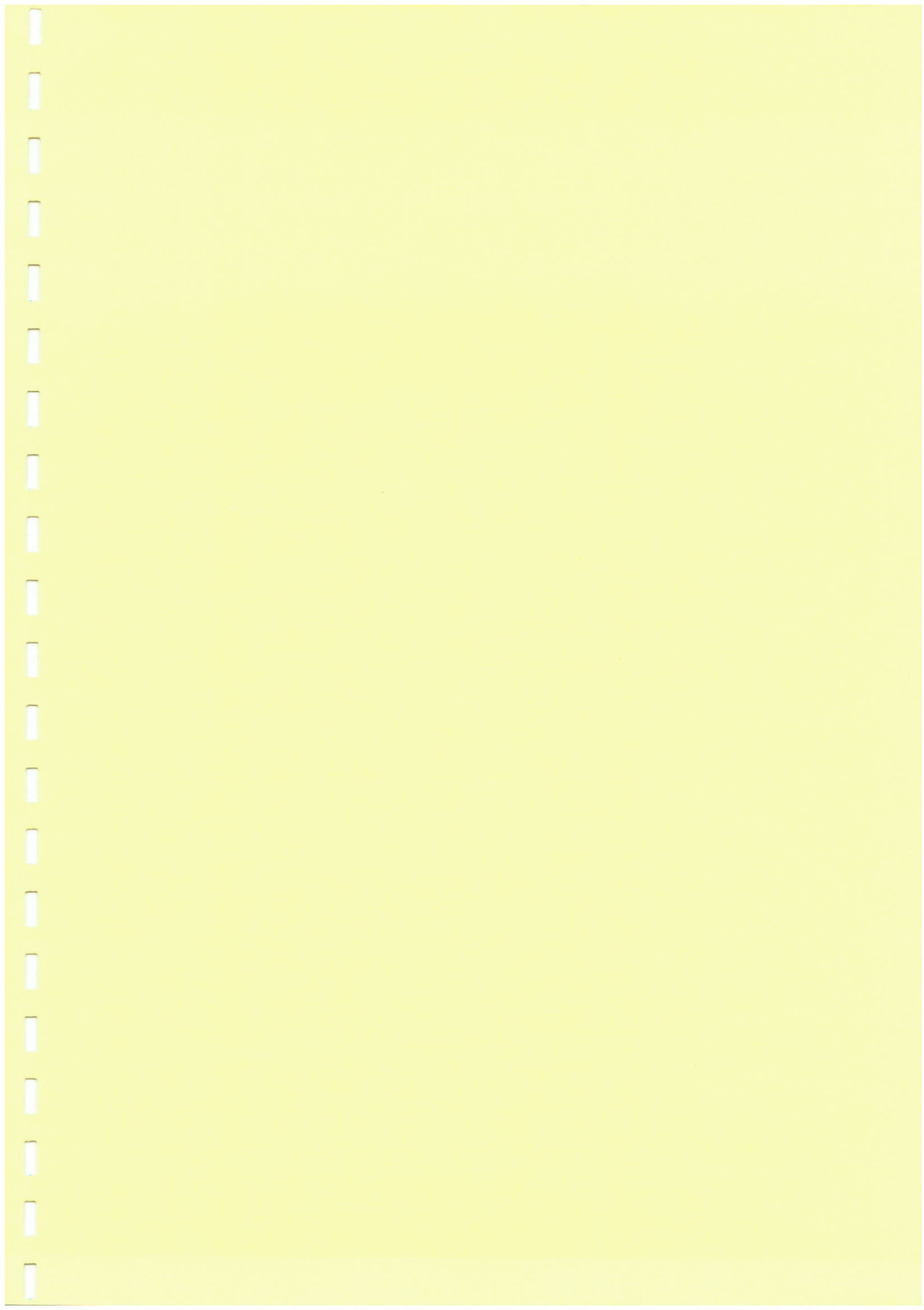
4. This Bank Guarantee shall become effective on the Effective Date of the EPCC and shall terminate on the expiry of the ..... sub-period of the Exploration Period, or such earlier time as the total of the reductions during such sub-period of the Exploration Period equal the guarantee amount referred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

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

Very truly yours,

for and on behalf of  
[BANK LEGAL NAME]

## ANNEX "E"

## Parent Company Guarantee

THIS GUARANTEE is made the .....day of .....2018

## BY

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

## WHEREAS

- A On \_\_\_\_\_, the Government, Empresa Nacional de Hidrocarbonetos, E.P. ("**ENH**"), Eni Mozambique S.p.A. ("**Eni**"), and [Sasol Petroleum Mozambique Exploration, Lda. ("**Sasol**")] (the "**Concessionaires**") entered into an Exploration and Production Concession Contract for Angoche A5-, offshore of Mozambique (the "**EPCC**").
- B The Guarantor is the parent company of [insert *Company name*] (the "**Company**").
- C The Government requires that the due and proper performance of the Company Obligations shall be guaranteed by the Guarantor under the terms of this Guarantee and the Guarantor is willing to grant this Guarantee.

## NOW IT IS HEREBY AGREED AS FOLLOWS:

## 1 DEFINITIONS AND INTERPRETATION

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

## 2 GUARANTEE

- 2.1 The Guarantor irrevocably and unconditionally guarantees that if the Company fails, in whole or in part, to perform any of the Company Obligations or if the Company is in breach of any Company Obligation, the Guarantor shall, following a demand made in accordance with clause 3, take such steps as shall be necessary:
- (a) to perform such Company Obligation or remedy such breach of a Company Obligation; or
  - (b) where such failure or breach is not capable of remedy, restore performance of the breached Company Obligation.
- 2.2 This Guarantee shall become effective thirty (30) days after the Effective Date of the EPCC and shall remain in full force and effect up until and including the date when all Company Obligations and liabilities have been fulfilled and all relevant Petroleum Operations subject to the applicable law and the EPCC have been completed, including the full completion of the Decommissioning Plan.
- 2.3 Upon termination of this Guarantee the Guarantor shall have no further liability whatsoever to the Beneficiary under or in connection with this Guarantee save in respect of any breach notified by the Beneficiary in accordance with clause 3 of this Guarantee prior to its termination.

## 3 DEMANDS

- 3.1 The Beneficiary shall notify the Guarantor in writing if the Company fails, in whole or in part, to perform a Company Obligation or if a breach of a Company Obligation has occurred and such notice shall contain a description of such failure to perform or such breach.
- 3.2 Subject to clauses 4 and 7 of this Guarantee, if the Company fails to perform or remedy a breach specified in a notice given under clause 3.1 within fourteen (14) days of receipt of such notice by the Guarantor, the Beneficiary may then make a demand in writing to the Guarantor that shall (i) set out the alleged failure to perform or breach of the Company Obligation(s) and (ii) require the Guarantor to take such steps as are provided in clause 2.1 of this Guarantee.

## 4 RIGHTS AND OBLIGATIONS

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

- 4.1.3 to make or file any claim or proof in winding-up or dissolution of the Company (to the extent applicable).

## 5 LIMITATIONS

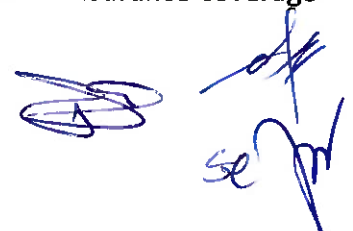
- 5.1 The obligations of the Guarantor under this Guarantee shall not be discharged or impaired by any act or omission or any other event or circumstances whatsoever (whether or not known to the Company, the Guarantor or the Beneficiary) which would or might (but for this clause 5) operate to impair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

## 6 ASSIGNMENT AND SUCCESSORS

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

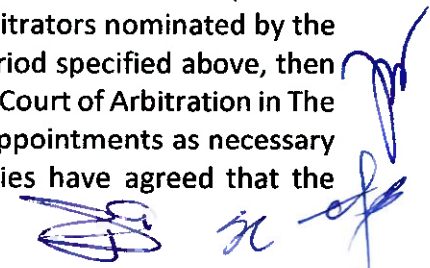
## 7 LIMITATION AND MAXIMUM LIABILITY OF GUARANTOR

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



## 8 GOVERNING LAW AND DISPUTE RESOLUTION

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

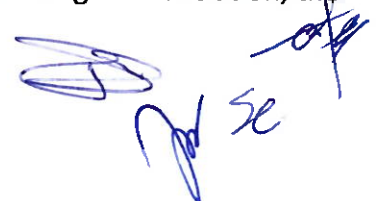


dispute shall be settled by a sole arbitrator, the sole arbitrator shall be nominated by agreement between them subject to acceptance by the nominated arbitrator; provided that if the Parties are unable to agree on a nominee for sole arbitrator within 30 (thirty) days from the date when the notice of arbitration was given to the respondent Party, then the Secretary-General of the Permanent Court of Arbitration upon request of either Party shall appoint the sole arbitrator in accordance with the UNCITRAL Rules;

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

## 9 LANGUAGE

- 9.1 This Guarantee is drawn up in two (2) originals in the Portuguese language, for signature by the Government and the Guarantor. One signed Portuguese original will be retained by each of the Parties. An English language translation is to be prepared and initialled as a supporting document by the Parties to this Guarantee. However, in case of conflict between the Portuguese original text and the English translation, the Portuguese original text shall prevail.



**10 NOTICES**

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

**The Government**

Ministério dos Recursos Minerais e Energia  
Ministro dos Recursos Minerais e Energia  
Av. Fernão de Magalhães, 34, 1.º andar  
Maputo, Mozambique

Copy to : The Chairman of the Board, National Petroleum Institute  
Telephone: +258 21 320 935  
Telefax: +258 21 430 850

**The Guarantor**

Name:  
Address:

Attention: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Telefax: \_\_\_\_\_

9.2 All notices delivered by recorded delivery or hand shall be deemed to be effective upon receipt. Notices given by facsimile shall be deemed to have been received where there is confirmation of uninterrupted transmission by a transmission report and where there has been no telephonic communication by the recipient to the senders (to be confirmed in writing) that the facsimile has not been received in legible form within twenty-four (24) hours of sending.



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

for and on behalf of [insert Guarantor]

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

Handwritten signature and initials in blue ink, including a stylized signature and the letters 'sc' below it.