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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

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

For the transition period from to

Commission file number: 001-35167

Kosmos Energy Ltd.

(Exact name of registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	**98-0686001** (I.R.S. Employer Identification No.)
Clarendon House **2 Church Street** **Hamilton, Bermuda** (Address of principal executive offices)	**HM 11** (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered:**
Common Shares $0.01 par value	New York Stock Exchange
	London Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐	Emerging growth company ☐

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

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

The aggregate market value of the voting and non-voting common shares held by non-affiliates, based on the per-share closing price of the registrant's common shares as of the last business day of the registrant's most recently completed second fiscal quarter was $1,462,148,287.

The number of the registrant's Common Shares outstanding as of February 16, 2018 was 395,706,528.

DOCUMENTS INCORPORATED BY REFERENCE

Part III, Items 10-14, is incorporated by reference from the Proxy Statement for the Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission not later than 120 days subsequent to December 31, 2017.

Certain exhibits previously filed with the Securities and Exchange Commission are incorporated by reference into Part IV of this report.

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Unless otherwise stated in this report, references to "Kosmos," "we," "us" or "the company" refer to Kosmos Energy Ltd. and its subsidiaries. We have provided definitions for some of the industry terms used in this report in the "Glossary and Selected Abbreviations" beginning on page 2.

KOSMOS ENERGY LTD.
GLOSSARY AND SELECTED ABBREVIATIONS

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

"2D seismic data"	Two-dimensional seismic data, serving as interpretive data that allows a view of a vertical cross-section beneath a prospective area.
"3D seismic data"	Three-dimensional seismic data, serving as geophysical data that depicts the subsurface strata in three dimensions. 3D seismic data typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic data.
"API"	A specific gravity scale, expressed in degrees, that denotes the relative density of various petroleum liquids. The scale increases inversely with density. Thus lighter petroleum liquids will have a higher API than heavier ones.
"ASC"	Financial Accounting Standards Board Accounting Standards Codification.
"ASU"	Financial Accounting Standards Board Accounting Standards Update.
"Barrel" or "Bbl"	A standard measure of volume for petroleum corresponding to approximately 42 gallons at 60 degrees Fahrenheit.
"BBbl"	Billion barrels of oil.
"BBoe"	Billion barrels of oil equivalent.
"Bcf"	Billion cubic feet.
"Boe"	Barrels of oil equivalent. Volumes of natural gas converted to barrels of oil using a conversion factor of 6,000 cubic feet of natural gas to one barrel of oil.
"Boepd"	Barrels of oil equivalent per day.
"Bopd"	Barrels of oil per day.
"Bwpd"	Barrels of water per day.
"Debt cover ratio"	The "debt cover ratio" is broadly defined, for each applicable calculation date, as the ratio of (x) total long-term debt less cash and cash equivalents and restricted cash, to (y) the aggregate EBITDAX (see below) of the Company for the previous twelve months.
"Developed acreage"	The number of acres that are allocated or assignable to productive wells or wells capable of production.
"Development"	The phase in which an oil or natural gas field is brought into production by drilling development wells and installing appropriate production systems.
"Dry hole"	A well that has not encountered a hydrocarbon bearing reservoir expected to produce in commercial quantities.
"EBITDAX"	Net income (loss) plus (i) exploration expense, (ii) depletion, depreciation and amortization expense, (iii) equity-based compensation expense, (iv) unrealized (gain) loss on commodity derivatives (realized losses are deducted and realized gains are added back), (v) (gain) loss on sale of oil and gas properties, (vi) interest (income) expense, (vii) income taxes, (viii) loss on extinguishment of debt, (ix) doubtful accounts expense and (x) similar other material items which management believes affect the comparability of operating results. The Facility EBITDAX definition includes 50% of the EBITDAX adjustments of Kosmos-Trident International Petroleum Inc.
"E&P"	Exploration and production.
"FASB"	Financial Accounting Standards Board.
"Farm-in"	An agreement whereby a party acquires a portion of the participating interest in a block from the owner of such interest, usually in return for cash and for taking on a portion of the drilling costs of one or more specific wells or other performance by the assignee as a condition of the assignment.
"Farm-out"	An agreement whereby the owner of the participating interest agrees to assign a portion of its participating interest in a block to another party for cash and/or for the assignee taking on a portion of the drilling costs of one or more specific wells and/or other work as a condition of the assignment.

"Field life cover ratio"	The "field life cover ratio" is broadly defined, for each applicable forecast period, as the ratio of (x) the forecasted net present value of net cash flow through depletion plus the net present value of the forecast of certain capital expenditures incurred in relation to the Ghana and Equatorial Guinea assets, to (y) the aggregate loan amounts outstanding under the Facility.
"FPSO"	Floating production, storage and offloading vessel.
"Interest cover ratio"	The "interest cover ratio" is broadly defined, for each applicable calculation date, as the ratio of (x) the aggregate EBITDAX (see above) of the Company for the previous twelve months, to (y) interest expense less interest income for the Company for the previous twelve months.
"Loan life cover ratio"	The "loan life cover ratio" is broadly defined, for each applicable forecast period, as the ratio of (x) net present value of forecasted net cash flow through the final maturity date of the Facility plus the net present value of forecasted capital expenditures incurred in relation to the Ghana and Equatorial Guinea assets, to (y) the aggregate loan amounts outstanding under the Facility.
"LNG"	Liquefied natural gas.
"MBbl"	Thousand barrels of oil.
"Mcf"	Thousand cubic feet of natural gas.
"Mcfpd"	Thousand cubic feet per day of natural gas.
"MMBbl"	Million barrels of oil.
"MMBoe"	Million barrels of oil equivalent.
"MMcf"	Million cubic feet of natural gas.
"MMcfd"	Million cubic feet per day of natural gas.
"Natural gas liquid" or "NGL"	Components of natural gas that are separated from the gas state in the form of liquids. These include propane, butane, and ethane, among others.
"Petroleum contract"	A contract in which the owner of hydrocarbons gives an E&P company temporary and limited rights, including an exclusive option to explore for, develop, and produce hydrocarbons from the lease area.
"Petroleum system"	A petroleum system consists of organic material that has been buried at a sufficient depth to allow adequate temperature and pressure to expel hydrocarbons and cause the movement of oil and natural gas from the area in which it was formed to a reservoir rock where it can accumulate.
"Plan of development" or "PoD"	A written document outlining the steps to be undertaken to develop a field.
"Productive well"	An exploratory or development well found to be capable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or natural gas well.
"Prospect(s)"	A potential trap that may contain hydrocarbons and is supported by the necessary amount and quality of geologic and geophysical data to indicate a probability of oil and/or natural gas accumulation ready to be drilled. The five required elements (generation, migration, reservoir, seal and trap) must be present for a prospect to work and if any of these fail neither oil nor natural gas may be present, at least not in commercial volumes.
"Proved reserves"	Estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be economically recoverable in future years from known reservoirs under existing economic and operating conditions, as well as additional reserves expected to be obtained through confirmed improved recovery techniques, as defined in SEC Regulation S-X 4-10(a)(2).
"Proved developed reserves"	Those proved reserves that can be expected to be recovered through existing wells and facilities and by existing operating methods.
"Proved undeveloped reserves"	Those proved reserves that are expected to be recovered from future wells and facilities, including future improved recovery projects which are anticipated with a high degree of certainty in reservoirs which have previously shown favorable response to improved recovery projects.
"Shelf margin"	The path created by the change in direction of the shoreline in reaction to the filling of a sedimentary basin.
"Stratigraphy"	The study of the composition, relative ages and distribution of layers of sedimentary rock.

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

Cautionary Statement Regarding Forward-Looking Statements

This annual report on Form 10-K contains estimates and forward-looking statements, principally in "Item 1. Business," "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the factors described in our annual report on Form 10-K, may adversely affect our results as indicated in forward-looking statements. You should read this annual report on Form 10-K and the documents that we have filed as exhibits hereto completely and with the understanding that our actual future results may be materially different from what we expect. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- our ability to find, acquire or gain access to other discoveries and prospects and to successfully develop and produce from our current discoveries and prospects;
- uncertainties inherent in making estimates of our oil and natural gas data;
- the successful implementation of our and our block partners' prospect discovery and development and drilling plans;
- projected and targeted capital expenditures and other costs, commitments and revenues;
- termination of or intervention in concessions, rights or authorizations granted by the governments of Cote d'Ivoire, Equatorial Guinea, Ghana, Mauritania, Morocco, Sao Tome and Principe, Senegal or Suriname (or their respective national oil companies) or any other federal, state or local governments or authorities, to us;
- our dependence on our key management personnel and our ability to attract and retain qualified technical personnel;
- the ability to obtain financing and to comply with the terms under which such financing may be available;
- the volatility of oil and natural gas prices;
- the availability, cost, function and reliability of developing appropriate infrastructure around and transportation to our discoveries and prospects;
- the availability and cost of drilling rigs, production equipment, supplies, personnel and oilfield services;
- other competitive pressures;
- potential liabilities inherent in oil and natural gas operations, including drilling and production risks and other operational and environmental risks and hazards;
- current and future government regulation of the oil and gas industry or regulation of the investment in or ability to do business with certain countries or regimes;
- cost of compliance with laws and regulations;
- changes in environmental, health and safety or climate change or greenhouse gas ("GHG") laws and regulations or the implementation, or interpretation, of those laws and regulations;
- adverse effects of sovereign boundary disputes in the jurisdictions in which we operate;
- environmental liabilities;
- geological, geophysical and other technical and operations problems including drilling and oil and gas production and processing;
- military operations, civil unrest, outbreaks of disease, terrorist acts, wars or embargoes;
- the cost and availability of adequate insurance coverage and whether such coverage is enough to sufficiently mitigate potential losses and whether our insurers comply with their obligations under our coverage agreements;

- our vulnerability to severe weather events;
- our ability to meet our obligations under the agreements governing our indebtedness;
- the availability and cost of financing and refinancing our indebtedness;
- the amount of collateral required to be posted from time to time in our hedging transactions, letters of credit and other secured debt;
- the result of any legal proceedings, arbitrations, or investigations we may be subject to or involved in;
- our success in risk management activities, including the use of derivative financial instruments to hedge commodity and interest rate risks; and
- other risk factors discussed in the "Item 1A. Risk Factors" section of this annual report on Form 10-K.

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

PART I

Item 1. Business

General

Kosmos is a leading independent oil and gas exploration and production company focused on frontier and emerging areas along the Atlantic Margins. Our assets include existing production and development projects offshore Ghana and Equatorial Guinea, large discoveries and significant further exploration potential offshore Mauritania and Senegal, as well as exploration licenses offshore Cote d'Ivoire, Equatorial Guinea, Morocco, Sao Tome and Principe, and Suriname. Kosmos is listed on the New York Stock Exchange ("NYSE") and London Stock Exchange ("LSE") and is traded under the ticker symbol KOS.

Kosmos was founded in 2003 to find oil in under-explored or overlooked parts of West Africa. Members of the management team—who had previously worked together making significant discoveries and developing them in Africa, the Gulf of Mexico, and other areas—established the company on a single geologic concept that previously had been disregarded by others in the industry, the Late Cretaceous play system.

Following our formation, we acquired multiple exploration licenses and proved the geologic concept with the discovery of the Jubilee Field within the Tano Basin in the deep waters offshore Ghana in 2007. This was the first of our discoveries offshore Ghana; it was one of the largest oil discoveries worldwide in 2007 and is considered one of the largest finds offshore West Africa during that decade. As technical operator of the initial phase of the Jubilee Field, we led an Integrated Project Team ("IPT") that planned and executed the development. Oil production from the Jubilee Field began in November 2010, just 42 months after initial discovery, a record for a deepwater development in this water depth in West Africa.

Kosmos and our partners discovered the Tweneboa, Enyenra and Ntomme ("TEN") fields in 2009, 2010 and 2012, respectively. The TEN fields are being developed through a phased manner delivering first oil in August 2016, and thus, becoming our second producing asset offshore Ghana. The project was delivered on time and within budget.

Following our Initial Public Offering in 2011, we acquired several new exploration licenses and again proved a new geologic concept with the Ahmeyim discovery (formerly known as Tortue) in the deepwater offshore Mauritania in 2015. The Ahmeyim discovery was one of the largest natural gas discoveries worldwide in 2015 and is believed to be the largest ever gas discovery offshore West Africa. We have since demonstrated the extension of this gas discovery into Senegal with the successful Guembeul-1 exploration well, which we collectively call the Greater Tortue discovery. We have now drilled six successful exploration and appraisal wells offshore Mauritania and Senegal, and in aggregate have discovered a gross potential natural gas resource of approximately 40 trillion cubic feet and derisked over 40 trillion cubic feet.

In November 2017, through a joint venture with an affiliate of Trident Energy ("Trident"), we acquired all of the equity interest of Hess International Petroleum Inc., a subsidiary of Hess Corporation ("Hess"), which holds an 85% paying interest (80.75% revenue interest) in the Ceiba Field and Okume Complex assets. Under the terms of the agreement with Trident, Kosmos and Trident each own 50% of Hess International Petroleum Inc. Hess International Petroleum Inc. was subsequently renamed Kosmos-Trident International Petroleum Inc. ("KTIPI"). The gross acquisition price was $650 million effective as of January 1, 2017. Kosmos paid net cash consideration of approximately $231 million at close in November 2017, after customary purchase price adjustments. The transaction is accounted for as an equity method investment. Kosmos is primarily responsible for exploration and subsurface evaluation while Trident is primarily responsible for production operations and optimization. The transaction expands our position in the Gulf of Guinea and provides immediate cash flow through existing production with potential to increase existing production and also provides step-out exploration opportunities with potential low cost tie-back through existing infrastructure.

Our business strategy focuses on achieving three key objectives: (1) maximize the value of our producing assets; (2) appraise and develop our discovered resources offshore Mauritania and Senegal; and (3) increase value further through a high-impact exploration program which is designed to unlock new petroleum systems. We are focused on increasing production, cash flows and reserves from the Jubilee and TEN fields as well as our recently acquired Ceiba and Okume fields. In Mauritania and Senegal, we expect to fully appraise our Greater Tortue discovery with the objective of making a final investment decision around the end of 2018 and producing first gas in late 2021, as well as advance our other discoveries to development. We also have a large inventory of leads and prospects in our exploration portfolio which we plan to continue to mature for future drilling. We plan to test the prospectivity of high impact opportunities in the coming years along the Atlantic Margins.

Our Business Strategy

Grow proved reserves and production through exploration, appraisal and development

In the near-term, we plan to grow proved reserves and production by further developing our fields offshore Ghana and Equatorial Guinea. In Ghana, we plan to resume drilling at both the Jubilee Field, which now includes our Mahogany and Teak discoveries, pursuant to the Greater Jubilee Full Field Development Plan ("GJFFDP"), and at TEN through the drilling of additional development and production wells in 2018. In Equatorial Guinea, through our joint venture with Trident, we plan to maximize reserves and production through production optimization and in-fill drilling. In addition, we plan to sanction the first phase of the Greater Tortue development offshore Mauritania and Senegal which will define the path to first gas. Growth could also be realized through the development of all or a portion of our other discoveries in Mauritania and Senegal.

Focus on optimally developing our discoveries to initial production

Our development focus is designed to accelerate production, deliver early learnings and maximize returns. In certain circumstances, we believe a phased approach can be employed to optimize full-field development through a better understanding of dynamic reservoir behavior and enable activities to be performed in a parallel rather than a sequential manner. A phased approach also facilitates refinement of the development plans based on experience gained in initial phases of production and by leveraging existing infrastructure as subsequent phases of development are implemented. Production and reservoir performance from the initial phases are monitored closely to determine the most efficient and effective techniques to maximize the recovery of reserves and returns. Other benefits include minimizing upfront capital costs, reducing execution risks through smaller initial infrastructure requirements, and enabling cash flow from the initial phases of production to fund a portion of capital costs for subsequent phases. In contrast, a traditional development approach consists of full appraisal, conceptual engineering, preliminary engineering, detailed engineering, procurement and fabrication of facilities, development drilling and installation of facilities for the full-field development, all performed sequentially, before first production is achieved. This traditional approach can considerably lengthen the time from discovery to first production.

For example, post-discovery in 2007, first oil production from the Jubilee Field commenced in November 2010. This development timeline from discovery to first oil was significantly less than the seven to ten year industry average and set a record for a deepwater development of this size and scale at this water depth in West Africa. This condensed timeline reflects the lessons learned by our experienced team while leading other large scale deepwater developments. The Greater Tortue development is also expected to be developed in an accelerated, phased approach consistent with our business strategy.

Successfully open and develop our offshore exploration plays

We believe the prospects and leads offshore Equatorial Guinea, Mauritania, Senegal, Sao Tome and Principe, Cote d'Ivoire, and Suriname provide favorable opportunities to create substantial value through exploration drilling. During 2018, we plan to test this potential in Suriname and in other areas starting in 2019. Given the potential size of these prospects and leads, we believe that exploratory success in our operating areas could significantly add to our growth profile.

Identify, access and explore frontier and emerging regions and hydrocarbon plays

Our management and exploration teams have demonstrated an ability to identify regions and hydrocarbon plays that have the potential to yield multiple large commercial discoveries. We focus on frontier and emerging areas that have been under-explored yet offer attractive commercial terms as a result of reduced competition and first-mover advantage. We expect to continue to use our systematic and proven geologically-focused approach in frontier and emerging petroleum systems where geological data suggests hydrocarbon accumulations are likely to exist, but where commercial discoveries have yet to be made. We believe this focus on poorly understood, under-explored or otherwise overlooked hydrocarbon basins enables us to unlock significant hydrocarbon potential and create substantial value for shareholders.

This approach and focus, coupled with a first-mover advantage and our management and technical teams' discipline in execution, provide a competitive advantage in identifying and accessing new strategic growth opportunities. We expect to continue seeking new opportunities where hydrocarbons have not been discovered or produced in meaningful quantities by leveraging the reputation and relationships of our experienced technical and management teams. This includes our existing areas of interest as well as selectively expanding our reach into other locations.

In addition to ideas developed organically, farm-in opportunities may offer a way to participate in new venture opportunities to undertake exploration in emerging basins, new plays and fairways to enhance and optimize our portfolio. Consistent

with this strategy, we may also evaluate potential corporate and asset acquisition opportunities as a source of new ventures to support and expand our asset portfolio.

Kosmos Exploration Approach

Kosmos' exploration philosophy is deeply rooted in a fundamental, geologically-based approach geared toward the identification of poorly understood, under-explored or overlooked petroleum systems. This process begins with detailed geologic studies that methodically assess a particular region's subsurface, with careful consideration given to those attributes that suggest working petroleum systems. The process includes basin modeling to predict oil or gas charge and fluid migration, as well as stratigraphic and structural analysis to identify reservoir/seal pair development and trap definition. This analysis integrates data from previously drilled wells, where available, and seismic data. Importantly, this approach also takes into account a detailed analysis of geologic timing to ensure that we have an appropriate understanding of whether the sequencing of geological events could promote and preserve hydrocarbon accumulations. Once an area is high-graded based on this play/fairway analysis, geophysical analysis based on new 3D seismic is conducted to identify prospective traps of interest.

Alongside the subsurface analysis, Kosmos performs an analysis of country-specific risks to gain an understanding of the "above-ground" dynamics, which may influence a particular country's relative desirability from an overall oil and natural gas operating and risk-adjusted return perspective. This process is employed in both areas that have existing oil and natural gas production, as well as those regions that have yet to achieve commercial hydrocarbon production.

Once an area of interest has been identified, Kosmos targets licenses over the particular basin or fairway to achieve an early-mover or in many cases a first-mover advantage. In terms of license selection, Kosmos targets specific regions that have sufficient size to manage exploration risks and provide scale should the exploration concept prove successful. Kosmos also looks for long-term contract duration to enable the "right" exploration program to be executed, play type diversity to provide multiple exploration concept options, prospect dependency to enhance the chance of replicating success and sufficiently attractive fiscal terms to maximize the commercial viability of discovered hydrocarbons.

Apply our entrepreneurial culture, which fosters innovation and creativity, to continue our successful exploration and development program

Our employees are critical to the success of our business strategy and we have created an environment that enables them to focus their knowledge, skills and experience on finding and developing new fields. Culturally, we have an open, team-oriented work environment that fosters entrepreneurial, creative and contrarian thinking. This approach enables us to fully consider and understand both risk and reward, as well as deliberately and collectively pursue strategies that create and maximize value. This philosophy and approach was successfully utilized offshore Ghana, Mauritania and Senegal, resulting in the discovery of significant new petroleum systems, which the industry previously did not consider either prospective or commercially viable.

Build the right strategic partnerships with complementary capabilities

We look to partner with high quality industry players with world-class complementary capabilities early in our exploration projects. This strategy is designed to ensure that upon successful exploration and appraisal activities, the project can benefit from specific expertise provided by these partners, including exploration, development, production and above-ground capabilities. We have proven we can execute this strategy by partnering with supermajors including BP PLC ("BP"), Chevron Corporation ("Chevron") and Total S.A. ("Total") across our exploration portfolio. In addition, bringing in the right strategic partners early in our projects often comes with a financial carry on future expenditures, allowing us to reduce our cost basis and increase return on investment.

During the second quarter of 2017, we formed the Kosmos-BP Strategic Exploration Alliance ("Alliance"). This Alliance broadens the relationship that previously covered new venture opportunities in Mauritania, Senegal and The Gambia to create an Atlantic Margin explorer-developer partnership. The Alliance leverages our regional exploration knowledge and capability together with BP's deepwater development expertise to execute a selective, joint frontier and emerging basin exploration strategy in the Atlantic Margin.

Maintain Financial Discipline

We strive to maintain a conservative financial profile and strong balance sheet with ample liquidity. Typically, we fund exploration and development activities from a combination of operating cash flows, debt and partner carries. As of December 31, 2017, after consideration of the refinancing of our RBL Facility in February 2018 which increased our availability to $1.5 billion, we had approximately $1.3 billion of liquidity available to fund our opportunities. During 2017, Kosmos generated approximately $236.6 million of cash flow from operations.

Additionally, we use derivative instruments to partially limit our exposure to fluctuations in oil prices and interest rates. We have an active commodity hedging program where we aim to hedge a portion of our anticipated sales volumes on a two-to-three year rolling basis. As of December 31, 2017, we have hedged positions covering 19.4 million barrels of oil from 2018 through 2019 oil production, which provide partial downside protection should Dated Brent oil prices fall below our floor prices. We also maintain insurance to partially protect against loss of production revenues from our producing assets.

Operations by Geographic Area

We currently have operations in Africa and South America. Presently, all operating revenues are generated from our operations offshore Ghana. We also have an equity method investment generating revenues with operations offshore Equatorial Guinea.

Our Fields

Information about our deepwater fields is summarized in the following table.

Fields	License		Kosmos Participating Interest		Operator		Stage
Ghana							
Jubilee(1)	WCTP/DT	(2)	24.1%	(2)	Tullow		Production
TEN(1)	DT		17.0%	(4)	Tullow		Production
Akasa	WCTP		30.9%	(5,6)	Kosmos	(5)	Appraisal
Wawa	DT		18.0%	(6)	Tullow		Appraisal
Mauritania							
Ahmeyim	Block C8	(3)	28.0%	(7)	BP		Appraisal
Marsouin	Block C8		28.0%	(7)	BP		Appraisal
Senegal							
Guembeul	Saint Louis Offshore Profond	(3)	30.0%	(8)	BP	(8)	Appraisal
Teranga	Cayar Offshore Profond		30.0%	(8)	BP	(8)	Appraisal
Yakaar	Cayar Offshore Profond		30.0%	(8)	BP	(8)	Appraisal
Equatorial Guinea							
Ceiba Field and Okume Complex - Equity Method Investment(1)	Block G		40.4%	(9)	KTEGI	(9)	Production

(1) For information concerning our estimated proved reserves as of December 31, 2017, see "—Our Reserves."

(2) The Jubilee Field straddles the boundary between the West Cape Three Points ("WCTP") petroleum contract and the Deepwater Tano ("DT") petroleum contract offshore Ghana. To optimize resource recovery in this field, we entered into the Unitization and Unit Operating Agreement (the "UUOA") in July 2009 with the Ghana National Petroleum Corporation ("GNPC") and the other block partners of each of these two blocks. The UUOA governs the interests in and development of the Jubilee Field and created the Jubilee Unit from portions of the WCTP petroleum contract and the DT petroleum contract areas. As a result of the approval of the GJFFDP by Ghana's Ministry of Energy in October 2017, operatorship for the Mahogany and Teak discoveries transferred to Tullow which are now included in the Jubilee Field.

These interest percentages are subject to redetermination of the participating interests in the Jubilee Field pursuant to the terms of the UUOA. Our paying interest on development activities in the Jubilee Field is 26.9%.

(3) The Greater Tortue resource, which includes the Ahmeyim discovery in Mauritania Block C8 and the Guembeul discovery in the Senegal Saint Louis Offshore Profond Block, straddles the border between Mauritania and Senegal.

In February 2018, the governments of Mauritania and Senegal signed an Inter-Governmental Cooperation Agreement ("ICA") which enables the development of the cross-border Tortue natural gas field to continue moving forward.

(4) Our paying interest on development activities in the TEN fields is 19%.

(5) Our paying interest on development activities in this discovery is 26.9%. Our participating interest as of December 31, 2017 is 30.0%. The WCTP partners transferred operatorship of the remaining portions of the WCTP Block, including the Akasa discovery, to Tullow effective February 1, 2018. Kosmos continues to assist Tullow with the transition process, which is expected to extend into the first half of 2018.

(6) GNPC has the option to acquire additional paying interests in a commercial discovery on the WCTP Block and the DT Block of 2.5% and 5.0%, respectively. These interest percentages do not give effect to the exercise of such options.

(7) SMHPM has the option to acquire up to an additional 4% paying interests in a commercial development. These interest percentages do not give effect to the exercise of such option.

(8) PETROSEN has the option to acquire up to an additional 10% paying interests in a commercial development on the Saint Louis Offshore Profond and Cayar Offshore Profond blocks. The interest percentage does not give effect to the exercise of such option.

(9) Kosmos owns a 50% interest in KTIPI which holds an 85% interest in the Ceiba Field and Okume Complex through its wholly-owned subsidiary, Kosmos-Trident Equatorial Guinea Inc. ("KTEGI"), representing a 40.375% net indirect interest to Kosmos. Kosmos and Trident provide operational management and support to KTEGI, who is operator of the Ceiba Field and Okume Complex.

Exploration License Areas

	Operator (Participating Interest)		Partners (Participating Interest)
Cote D'Ivoire			
Block CI-526	Kosmos (45%)	(1)	BP (45%), PETROCI (10%)
Block CI-602	Kosmos (45%)	(1)	BP (45%), PETROCI (10%)
Block CI-603	Kosmos (45%)	(1)	BP (45%), PETROCI (10%)
Block CI-707	Kosmos (45%)	(1)	BP (45%), PETROCI (10%)
Block CI-708	Kosmos (45%)	(1)	BP (45%), PETROCI (10%)
Equatorial Guinea			
Block EG-21	Kosmos (40%)	(2)	Trident (40%), GEPetrol (20%)
Block S	Kosmos (40%)	(2)	Trident (40%), GEPetrol (20%)
Block W	Kosmos (40%)	(2)	Trident (40%), GEPetrol (20%)
Mauritania			
Block C6	BP (62%)	(3)	Kosmos (28%), SMHPM (10%)
Block C8	BP (62%)	(3)	Kosmos (28%), SMHPM (10%)
Block C12	BP (62%)	(3)	Kosmos (28%), SMHPM (10%)
Block C13	BP (62%)	(3)	Kosmos (28%), SMHPM (10%)
Block C18	Total (45%)	(3)	Kosmos (15%), BP (15%), Tullow (15%), SMHPM (10%)
Morocco			
Essaouira	Kosmos (75%)		ONHYM (25%)
Sao Tome and Principe (4)			
Block 5	Kosmos (45%)		Galp (20%), Equator (20%), ANP (15%),
Block 6	Galp (45%)		Kosmos (45%), ANP (10%)
Block 11	Kosmos (65%)		Galp (20%), ANP (15%)
Block 12	Kosmos (45%)		Galp (20%), Equator (22.5%), ANP (12.5%),
Senegal			
Cayar Offshore Profond	BP (60%)	(5)	Kosmos (30%), PETROSEN (10%)
Saint Louis Offshore Profond	BP (60%)	(5)	Kosmos (30%), PETROSEN (10%)
Suriname			
Block 42	Kosmos (33%)		Chevron (33%), Hess (33%)
Block 45	Kosmos (50%)		Chevron (50%)

(1) PETROCI has the option to acquire up to an additional 2% paying interests in a commercial development. The interest percentage does not give effect to the exercise of such option.

(2) These agreements are fully executed, but are pending Presidential ratification. We presently have an 80% interest and are the operator in all three blocks, but pursuant to an agreement with Trident we expect to assign a 40% interest in the blocks to an affiliate of Trident after presidential ratification. The interest percentage gives effect to the 40% interest assignment to Trident. Should a commercial discovery be made, GEPetrol's 20% carried interest will convert to a 20% participating interest for all development and production operations.

(3) BP is the operator of record while Kosmos provides technical exploration operator services. Should a commercial discovery be made, SMHPM's 10% carried interest is extinguished and SMHPM will have an option to acquire a participating interest in the discovery area between 10% and 14% (blocks C8, C12 and C13), 10% and 15% (Block C18) and 10% and 18% (Block C6). SMHPM will pay its portion of development and production costs in a commercial development on the blocks. The interest percentage does not give effect to the exercise of such option.

(4) Kosmos and BP have been awarded the rights to negotiate petroleum contracts for blocks 10 and 13.

(5) PETROSEN has the option to acquire up to an additional 10% paying interest in a commercial development on the Saint Louis Offshore Profond and Cayar Offshore Profond blocks. The interest percentage does not give effect to the exercise of such option.

Ghana

The WCTP Block and DT Block are located within the Tano Basin, offshore Ghana. This basin contains a proven world-class petroleum system as evidenced by our discoveries. The following is a brief discussion of our discoveries on our license areas offshore Ghana.

Jubilee Field

The Jubilee Field was discovered by Kosmos in 2007, with first oil produced in November 2010. Appraisal activities confirmed that the Jubilee discovery straddled the WCTP and DT Blocks. Pursuant to the terms of the UUOA, the discovery area was unitized for purposes of joint development by the WCTP and DT Block partners.

The Jubilee Field is a combination structural-stratigraphic trap with reservoir intervals consisting of a series of stacked Upper Cretaceous Turonian-aged, deepwater turbidite fan lobe and channel deposits.

The Jubilee Field is located approximately 37 miles offshore Ghana in water depths of approximately 3,250 to 5,800 feet, which led to the decision to implement an FPSO based development. The FPSO is designed to provide water and natural gas injection to support reservoir pressure, to process and store oil and to export gas through a pipeline to the mainland. The Jubilee Field is being developed in a phased approach. The Phase 1 development focused on partial development of certain reservoirs in the Jubilee Field. The Kosmos-led Integrated Project Team ("IPT") successfully executed the initial 17 well development plan, which included nine producing wells that produced through subsea infrastructure to the "Kwame Nkrumah" FPSO, six water injection wells and two natural gas injection wells. This initial phase provided subsea infrastructure capacity for additional production and injection wells to be drilled in future phases of development.

The Phase 1A development plan provided further development to the currently producing Jubilee Field reservoirs. The Phase 1A development included the drilling of eight additional wells consisting of five production wells and three water injection wells. Approval was given for an additional well, a gas injector, considered as part of Phase 1A. The Phase 1A Addendum PoD was submitted to the Ministry of Energy in June 2015 and deemed approved in July 2015 to enable drilling and completion of two additional wells consisting of one production well and one water injection well.

The Greater Jubilee Full Field Development Plan ("GJFFDP") was resubmitted to the government of Ghana in September 2017 and subsequently approved in October 2017. This plan, which is expected to increase proved reserves and extend the field production profile, has been optimized to reduce overall capital expenditures to reflect the current oil price market. In November 2015, we signed the Jubilee Field Unit Expansion Agreement with our partners, which became effective upon approval of the GJFFDP, to allow for the development of the Mahogany and Teak discoveries through the Jubilee FPSO and infrastructure, thus reducing their development cost. As a result of the approval of the GJFFDP by the Ministry of Energy in October 2017, operatorship for the Mahogany and Teak discoveries transferred to Tullow. The WCTP partners transferred operatorship of the remaining portions of the WCTP Block, including the Akasa discovery, to Tullow effective February 1, 2018. Kosmos continues to assist Tullow with the transition process, which is expected to extend into the first half of 2018.

The Government of Ghana completed the construction and connection of a gas pipeline from the Jubilee Field to transport natural gas to the mainland for processing and sale. In November 2014, the transportation of gas produced from the Jubilee Field commenced through the gas pipeline to the onshore gas plant. However, the uptime of the facility in future periods is not known. In the absence of the continuous export of large quantities of natural gas from the Jubilee Field, it is anticipated that we will need to reinject or flare such natural gas. Our inability to continuously export associated natural gas in large quantities from the Jubilee Field could impact our oil production.

In prior years, certain near wellbore productivity issues were identified, impacting several Phase 1 production wells. The Jubilee Unit partners identified a means of successfully mitigating the near wellbore productivity issues with ongoing acid stimulation treatments. We have also experienced mechanical issues in the Jubilee Field, including failures of our water injection and gas compression facilities on the FPSO. This equipment downtime negatively impacted past oil production. We are in the process of correcting mechanical issues experienced in the Jubilee Field.

In February 2016, the Jubilee Field operator identified an issue with the turret bearing of the FPSO Kwame Nkrumah. This necessitated the FPSO to be shut down for an extended period beginning in March 2016 with production resuming in early May 2016. This resulted in the need to implement new operating and offloading procedures, including the use of tug boats for heading control and a dynamically positioned ("DP") shuttle tanker and storage vessel for offloading.

Kosmos and its partners have determined the preferred long-term solution to the turret bearing issue is to convert the FPSO to a permanently spread moored facility. The Jubilee turret remediation work is progressing as planned and the FPSO spread-mooring at its current heading was completed in February 2017. This allowed the tug boats previously required to hold the vessel on a fixed heading to be removed, significantly reducing the cost and complexity of the current operation. The next phase of the remediation work involves lifting and locking the main turret bearing. With regard to the turret remediation plan, the partnership is aligned on the engineering solution. This involves a shutdown to stabilize the turret bearing during the first quarter of 2018 followed by work to rotate the vessel to a new heading and permanently spread moor the vessel. The turret stabilization shutdown is being conducted in two phases, the first of which is complete and oil production is back online. The second phase is expected to commence around the end of the first quarter of 2018, and we anticipate the overall shutdown of oil production for both phases to be around four weeks. It is anticipated the gas system will be shut-in for slightly longer to complete non-turret related maintenance. We now expect the rotation of the vessel to take place around the end of 2018 with minimal impact to production in 2018.

The financial impact of lower Jubilee production as well as the additional expenditures associated with the damage to the turret bearing is mitigated through a combination of the comprehensive Hull and Machinery insurance (“H&M”), procured by the operator, Tullow, on behalf of the Jubilee Unit partners, and the corporate Loss of Production Income (“LOPI”) insurance procured by Kosmos. Our LOPI coverage for this incident ended in May 2017 and the final cash proceeds were received in August 2017. Oil production from the Jubilee Field averaged approximately 93,500 barrels (gross) of oil per day during 2017.

Tweneboa, Enyenra and Ntomme ("TEN")

The TEN fields are located in the western and central portions of the DT Block, approximately 30 miles offshore Ghana in water depths of approximately 3,300 to 5,700 feet. In November 2012, we submitted a declaration of commerciality and PoD over the TEN discoveries. In May 2013, the government of Ghana approved the TEN PoD. The discoveries are being jointly developed with shared infrastructure and a single FPSO.

The TEN fields consist of multiple stratigraphic traps with reservoir intervals consisting of a series of stacked Upper Cretaceous Turonian-aged, deepwater fan lobes and channel deposits.

The TEN fields are being developed in a phased manner. The TEN PoD was designed to include an expandable subsea system that would provide for multiple phases. Phase 1 of the TEN PoD includes the drilling and completion of up to 17 wells, 11 of which have been completed. Seven additional development wells are expected to be drilled during Phase 2. The remaining Phase 1 and Phase 2 wells are a combination of production wells and water or gas injection wells needed to maximize recovery.

Following first oil from the TEN fields in August 2016, oil production and water injection systems were commissioned and are now operational. In January 2017, the capacity of the FPSO was successfully tested at an average rate of 80,000 Bopd during a short-term flow test. However, due to certain issues with managing pressures in the Enyenra reservoir and because no new wells could be drilled until after the previously disclosed Special Chamber of the International Tribunal of the Sea (ITLOS) ruling , the operator has elected to manage the existing wells in a prudent manner to optimize long-term recovery over the lifetime of the field. This reservoir management is not expected to negatively impact the ultimate field recovery. In September 2017, ITLOS issued its final decision in the maritime boundary dispute between the Governments of Ghana and Cote d'Ivoire. The maritime boundary delimited by the Special Chamber's decision had no impact on TEN production or reserves or otherwise on our interests in Ghana. Production from TEN in the year ended December 31, 2017 averaged approximately 55,800 bopd. We expect to resume drilling in early 2018 and production is expected to increase towards FPSO capacity.

The construction and connection of a gas pipeline between the Jubilee and TEN fields to transport natural gas to the mainland for processing and sale was completed in the first quarter of 2017. In December 2017, we signed the TEN Associated-Gas Gas Sales Agreement (TAG GSA) and we expect to begin exporting TEN associated gas to shore in the second quarter of 2018. The TAG GSA provides for a sales price of $0.50 price per mmbtu. However, the uptime of the gas processing facility in future periods is not known. Our inability to continuously export associated natural gas in large quantities from the TEN fields could impact our oil production.

Other Ghana Discoveries

The Akasa discovery is located in the western portion of the WCTP Block approximately 31 miles offshore Ghana in water depths of approximately 3,200 to 5,050 feet. The discovery is southeast of the Jubilee Field. We believe the target reservoirs are channels and lobes that are stratigraphically trapped. The Akasa-1 well intersected oil bearing reservoirs in the Turonian zones. Fluid samples recovered from the well indicate an oil gravity of 38 degrees API.

The Wawa discovery is located within the DT Block, north of the TEN fields. The Wawa-1 exploration well intersected oil and gas-condensate in a Turonian-aged turbidite channel system. In April 2016, the Ghana Ministry of Energy approved our request to enlarge the TEN development and production area subject to continued subsurface and development concept evaluation, along with the requirement to integrate the Wawa Discovery into the TEN PoD.

Mauritania

The C6, C8, C12, C13 and C18 blocks are located on the western margin of the Mauritania Salt Basin offshore Mauritania. These blocks are located in a proven petroleum system, with our primary targets being Cretaceous sands in structural and stratigraphic traps. We believe that the Triassic salt basin formed at the onset of rifting and contains Jurassic, Cretaceous and Tertiary passive margin sequences of limestones, sandstone and shales. Interpretation of available geologic and geophysical data has identified Cretaceous slope channels and basin floor fans in trapping geometries outboard of the Salt Basin as the key exploration objective. Multiple Cretaceous source rocks penetrated by wells and typed to oils and gases in the Mauritania Salt Basin are the same age as those which charge other oil and gas fields in West Africa.

A portion of this acreage is located outboard of the Chinguetti Field and ranges in water depth from 330 to 9,800 feet. These blocks cover an aggregate area of approximately 6.0 million acres. We have acquired approximately 6,300 line-kilometers of 2D seismic data and 15,800 square kilometers of 3D seismic data covering portions of our blocks in Mauritania. Based on these 2D and 3D seismic programs, we have drilled two successful exploration wells and an appraisal well, and have identified numerous additional prospects in our blocks. We continue to integrate the results of our drilling program in Mauritania to identify and mature primary targets in preparation for drilling.

Senegal

The Senegal Blocks are located in the Senegal River Cretaceous petroleum system and range in water depth from 980 to 10,200 feet. The area is an extension of the working petroleum system in the Mauritania Salt Basin. We believe the area has multiple Cretaceous source rocks with Albian through Cenomanian reservoir sands providing exploration targets. We acquired approximately 7,000 square kilometers of 3D seismic data over the central and eastern portions of the Senegal Blocks in January 2015. In February 2016, we completed a 4,500 square kilometer survey over the western portions of the Senegal Blocks to fully evaluate the prospectivity. We have drilled two successful exploration wells and an appraisal well, and have identified numerous prospects in our blocks and we continue to mature these for drilling.

The following is a brief discussion of our discoveries to date offshore Mauritania and Senegal.

Greater Tortue Discovery

The Ahmeyim and Guembeul discoveries (collectively “Greater Tortue”) are significant, play-opening gas discoveries for the outboard Cretaceous petroleum system and are located approximately 75 miles offshore Mauritania and Senegal. The Greater Tortue discovery straddles Block C8 offshore Mauritania and Saint Louis Offshore Profond offshore Senegal.

We have now drilled three wells within the Greater Tortue discovery. The wells penetrated multiple excellent quality gas reservoirs, including the Lower Cenomanian, Upper Cenomanian and underlying Albian. The wells successfully delineated the Ahmeyim and Guembeul gas discoveries and demonstrated reservoir continuity, as well as static pressure communication between the three wells drilled within the Lower Cenomanian reservoir. The discovery ranges in water depths from 8,850 feet to 9,200 feet, with total depths drilled ranging from 16,700 feet to 17,200 feet.

The Tortue-1 discovery well, located in Block C8 offshore Mauritania, intersected approximately 117 meters (383 feet) of net hydrocarbon pay. A single gas pool was encountered in the Lower Cenomanian objective, which is comprised of three reservoirs totaling 88 meters (288 feet) in thickness over a gross hydrocarbon interval of 160 meters (528 feet). A fourth reservoir totaling 19 meters (62 feet) was penetrated within the Upper Cenomanian target over a gross hydrocarbon interval of 150 meters (492 feet). The exploration well also intersected an additional 10 meters (32 feet) of net hydrocarbon pay in the lower Albian section, which is interpreted to be gas.

The Guembeul-1 discovery well, located in the northern part of the Saint Louis Offshore Profond area in Senegal, is located approximately three miles south of the Tortue-1 exploration well in Mauritania. The well encountered 101 meters (331 feet) of net gas pay in two excellent quality reservoirs, including 56 meters (184 feet) in the Lower Cenomanian and 45 meters (148 feet) in the underlying Albian, with no water encountered.

The Ahmeyim-2 appraisal well is located in Block C8 offshore Mauritania, approximately three miles northwest, and 200 meters down-dip of the basin-opening Tortue-1 discovery. The well confirmed significant thickening of the gross reservoir

sequences down-dip. The Ahmeyim-2 well encountered 78 meters (256 feet) of net gas pay in two excellent quality reservoirs, including 46 meters (151 feet) in the Lower Cenomanian and 32 meters (105 feet) in the underlying Albian.

In August 2017, we announced the successful completion of the drill stem test ("DST") of the Tortue-1 well, demonstrating that the Tortue field is a world-class resource and confirming key development parameters including well deliverability, reservoir connectivity, and fluid composition. The Tortue-1 well flowed at a sustained, equipment-constrained rate of approximately 60 million cubic feet per day (MMcfd) during the main extended flow period, with minimal pressure drawdown, providing confidence in well designs that are each capable of producing approximately 200 MMcfd. The DST results confirmed a connected volume per well consistent with the current development scheme, which together with the high well rate is expected to result in a low number of development wells compared to equivalent schemes. Initial analysis of fluid samples collected during the test indicate Tortue gas is well suited for liquefaction given low levels of liquids and minimal impurities. Data acquired from the DST will be used to further optimize field development and to refine process design parameters critical to the front end engineering and design ("FEED") process.

Other Mauritania and Senegal Discoveries

The BirAllah discovery (formally known as Marsouin), located in Block C8 offshore Mauritania, is a significant, play-extending gas discovery, building on our successful exploration program in the outboard Cretaceous petroleum system offshore Mauritania. The Marsouin-1 well is located approximately 37 miles north of the Ahmeyim discovery and was drilled to a total depth of 16,900 feet in nearly 7,900 feet of water. Based on analysis of drilling results and logging data, Marsouin-1 encountered at least 70 meters (230 feet) of net gas pay in Upper and Lower Cenomanian intervals comprised of excellent quality reservoir sands.

The Teranga discovery is located in the Cayar Offshore Profond block approximately 40 miles northwest of Dakar, and was our second exploration well offshore Senegal. The Teranga-1 discovery well is located in nearly 5,900 feet of water and was drilled to a total depth of 15,900 feet. The well encountered 31 meters (102 feet) of net gas pay in good quality reservoir in the Lower Cenomanian objective. Well results confirm that a prolific inboard gas fairway extends approximately 125 miles south from the Marsouin-1 well in Mauritania through the Greater Tortue area on the maritime boundary to the Teranga-1 well in Senegal.

The Yakaar discovery is located in the Cayar Offshore Profond block offshore Senegal, approximately 60 miles northwest of Dakar in approximately 2,600 meters of water. The Yakaar-1 discovery well was drilled to a total depth of approximately 4,900 meters. The well intersected a gross hydrocarbon column of 120 meters (394 feet) in three pools within the primary Lower Cenomanian objective and encountered 45 meters (148 feet) of net pay.

These discoveries collectively have discovered a gross potential natural gas resource of approximately 40 trillion cubic feet and as such derisked over 40 trillion cubic feet in the basin.

Equatorial Guinea

In October 2017, we entered into petroleum contracts covering Blocks EG-21, S, and W with the Republic of Equatorial Guinea. Ratification of the petroleum contracts by the President of Equatorial Guinea is required before the contracts become effective. The petroleum contracts cover approximately 6,000 square kilometers, with a first exploration period of five years from the date of notification of ratification by the President of Equatorial Guinea. The first exploration period consists of two sub-periods of three and two years, respectively. The first exploration sub-period work program includes an approximately 6,000 square kilometer 3D seismic acquisition requirement across the blocks.

Ceiba Field and Okume Complex - Equity Method Investment

In the fourth quarter of 2017, through a joint venture with an affiliate of Trident, we acquired all of the equity interest of Hess International Petroleum Inc., a subsidiary of Hess, which holds an 85% paying interest (80.75% revenue interest) in the Ceiba Field and Okume Complex assets. Under the terms of the agreement, Kosmos and Trident each own 50% of Hess International Petroleum Inc. Hess International Petroleum Inc. was subsequently renamed Kosmos-Trident International Petroleum Inc. ("KTIPI"). Kosmos is primarily responsible for exploration and subsurface evaluation while Trident is primarily responsible for production operations and optimization. The transaction expands our position in the Gulf of Guinea and provides immediate cash flow through existing production with potential to increase existing production and also provides step-out exploration opportunities with potential low cost tie-back through existing infrastructure. The gross acquisition price is $650 million effective as of January 1, 2017. After post closing entries Kosmos paid net cash of approximately $231 million, with a combination of cash on hand and availability under the Facility. The transaction is accounted for as an equity method investment. Oil production from the Ceiba Field and Okume Complex averaged approximately 45,000 barrels (gross) of oil per day during the period we held an interest in 2017.

Suriname

We are the operator for petroleum contracts covering Block 42 and Block 45 offshore Suriname, which are located within the Guyana Suriname Basin, along the Atlantic transform margin of northern South America. Suriname lies between Guyana to the west and French Guyana to the east. The Guyana-Suriname Basin was formed by tensional forces associated with the opening of the Atlantic Ocean as South America separated from Africa in the Mid Cretaceous period. The Suriname basin is considered similar to the working petroleum systems of the West African transform margin. The emerging petroleum system in Suriname has been proven by the presence of onshore producing fields and most recently by nearby discoveries offshore Guyana, including the Liza-1 well.

Suriname Block 42 and Block 45 are positioned centrally in the Suriname-Guyana Basin, and located to the east of the recent play opening Liza-1 oil discovery. Likewise, the blocks are also positioned to the northwest of the French Guyana Basins' Zaedyus oil discovery.

We believe that there are several independent play types of importance on our operated blocks. Of note are the listric faulted structural stratigraphic play of the lower Cretaceous and the stratigraphically trapped Upper Cretaceous plays similar to those discovered in the Jubilee Field offshore West Africa. The recent oil discovery in Guyana (Liza-1) in the same geologic basin provides a positive point of calibration for the Upper Cretaceous stratigraphic play in Suriname.

Target reservoirs in our blocks are similar Upper and Middle Cretaceous age basin floor fans and mid slope channel sands. Seismic evidence suggests thick Late Cretaceous and Tertiary reservoir systems may be present in the deep water area demonstrated by Liza-1.

The Tambaredjo and Calcutta Fields onshore Suriname, as well as the Liza-1 well discovery offshore Guyana, demonstrate that a working petroleum system exists, and geological and geochemical studies suggest the hydrocarbons in these fields were generated from source rocks located in the offshore basin. The source rocks are believed to be analogous in age to those which have charged numerous fields in offshore West Africa.

During 2012, we completed a 3D seismic data acquisition program which covered approximately 3,900 square kilometers over portions of Block 42 and Block 45 offshore Suriname. In August 2013, we completed a 2D seismic program of approximately 1,400 line kilometers over a portion of Block 42, outside of the existing 3D seismic survey. The processing of the seismic data was completed during 2014. In December 2015, we received an extension of Phase 1 of the Exploration Period for Block 42 offshore Suriname which now expires in September 2018. In April 2016, we received an extension of Phase 1 of the Exploration Period for Block 45 offshore Suriname which now expires in September 2018.

In January 2017, we completed a 3D seismic survey of approximately 6,500 square kilometers over Block 42 and Block 45 offshore Suriname. Processing of this data is currently ongoing. We have compiled an initial inventory of prospects on the license areas in Suriname and will continue to refine and assess the prospectivity, integrating this new 3D seismic data, with plans to drill in 2018.

Sao Tome and Principe

During 2015 and 2016, Kosmos acquired acreage in Blocks 5, 6, 11 and 12 offshore Sao Tome and Principe in the Gulf of Guinea. We are the operator of Blocks 5, 11 and 12, and Galp, a wholly owned subsidiary of Petrogal, S.A., is the operator of Block 6. These blocks cover an area of approximately 5.8 million acres in water depth ranging from 7,380 to 9,840 feet and provide an opportunity to pursue the same core Cretaceous theme that was successful for us in Ghana.

Our blocks are adjacent to, and represent an extension of a proven and prolific petroleum system offshore Equatorial Guinea and northern Gabon comprising Early Cretaceous post-rift source rocks and Late Cretaceous reservoirs.

We believe that the southern extent of the West African transform margin in Sao Tome and Principe comprises a series of Albian pull-apart basins formed during the separation of Africa from South America, providing the necessary conditions for the generation, migration and entrapment of hydrocarbons. Early in the basin history, restricted marine conditions prevailed allowing rich source rocks to be deposited. Large sandstone depo-centers were developed at the structural junctions of rift and shear fault trends resulting in the deposition of deep-water slope channels and basin floor fans draping over and around anticlinal highs adjacent to fracture zones. These constitute the main play in the acreage.

In December 2016, we received approval for a two-year extension of Phase 1 for Block 5 offshore Sao Tome and Principe, which now expires in May 2019. Additionally, during the same month we assigned 20% participating interest to Galp in each of Blocks 5, 11 and 12 offshore Sao Tome and Principe. Based on the terms of the agreement, Galp has paid a proportionate share of Kosmos' past costs in the form of a partial carry on the 3D seismic survey.

In August 2017, we completed a 3D seismic survey of approximately 15,800 square kilometers over Blocks 5, 6, 11, and 12 offshore Sao Tome and Principe. Processing of this data is currently underway. We are compiling an initial inventory of prospects on the license areas in Sao Tome and Principe and will continue to refine and assess the prospectivity, integrating this new 3D seismic data into our geological evaluation during 2018 with a view to drilling as early as 2019.

In November 2017, we received approval for a one-year extension of Phase 1 for Block 11 offshore Sao Tome and Principe, which now expires in July 2019.

Morocco and Western Sahara

Our petroleum contracts in Morocco and Western Sahara include the Boujdour Maritime block, which is within the Aaiun Basin, and the Essaouira Offshore Block, which is within the Agadir Basin. We are the operator of these petroleum contracts.

Aaiun Basin

In November 2017, we provided to our co-venturers a notice of withdrawal from the the Boujdour Maritime block offshore Western Sahara and transferred our participating interest and operatorship to ONHYM. We are providing certain transition services to ONHYM as part of the handover of operatorship. In order to complete our obligations under the petroleum contract, we will continue to fund the remainder of the current seismic program.

Agadir Basin

The Essaouira Offshore block is located in the Agadir Basin. A working petroleum system has been established in the onshore area of the Agadir Basin based on onshore and shallow offshore wells. Existing well data and geological and geochemical studies have demonstrated the presence of Cretaceous source rocks in the acreage. Onshore production suggests that possible Jurassic source rocks are also present in the offshore Agadir Basin.

In June 2017, we completed a 3D seismic survey of approximately 3,000 square kilometers over the Essaouira Offshore Block. Additional geological studies are expected to be conducted beginning in the first quarter of 2018. The current phase of the Essaouira Offshore petroleum contract expires in November 2018.

Cote d'Ivoire

In December 2017, as part of our Alliance with BP, we entered into petroleum contracts as operator for five Offshore Blocks, CI-526, CI-602, CI-603, CI-707 and CI-708, which are located in a cenomanian-turonian petroleum system and range in water depth from 1,500 to 15,000 feet. The area is located approximately 150 kilometers west of our TEN discoveries in Ghana. We believe the area has multiple Cretaceous source rocks with Cenomanian through Maastrichtian reservoir sands providing

exploration targets. We plan to acquire approximately 12,000 square kilometers of 3D seismic data over the blocks during 2018 to evaluate the prospectivity.

Portugal

In January 2017, we provided to our co-venturers a notice of withdrawal from the Ameijoa, Camarao, Mexilhao and Ostra Blocks offshore Portugal.

BP Alliance

During the second quarter of 2017, we formed the Alliance. This Alliance broadens the relationship that previously covered new venture opportunities in Mauritania, Senegal and The Gambia to create an Atlantic Margin explorer-developer partnership. The Alliance leverages our regional exploration knowledge and capability together with BP's deepwater development expertise to execute a selective, joint frontier and emerging basin exploration strategy in the Atlantic Margin.

Our Reserves

The following table sets forth summary information about our estimated proved reserves as of December 31, 2017. See "Item 8. Financial Statements and Supplementary Data—Supplemental Oil and Gas Data (Unaudited)" for additional information.

Our estimated proved reserves as of December 31, 2017, were associated with our Jubilee and the TEN fields in Ghana as well as our share of our equity method investment in the Ceiba Field and Okume Complex in Equatorial Guinea. Our estimated proved reserves as of December 31, 2016 and 2015 were associated with our Jubilee and TEN fields in Ghana.

Summary of Oil and Gas Reserves

	2017 Net Proved Reserves(1)			2016 Net Proved Reserves(1)			2015 Net Proved Reserves(1)		
	Oil, Condensate, NGLs	Natural Gas(2)	Total	Oil, Condensate, NGLs	Natural Gas(2)	Total	Oil, Condensate, NGLs	Natural Gas(2)	Total
	(MMBbl)	(Bcf)	(MMBoe)	(MMBbl)	(Bcf)	(MMBoe)	(MMBbl)	(Bcf)	(MMBoe)
Reserves Category									
Proved developed	59	38	65	64	13	66	50	10	52
Proved undeveloped(3)	23	11	24	10	2	11	24	4	25
Total Kosmos	82	49	89	74	15	77	74	14	77
Equity method investment(4)	19	13	21						
Total reserves	100	61	110						

(1) Our reserves associated with the Jubilee Field are based on the 54.4%/45.6% redetermination split, between the WCTP Block and DT Block. Totals within the table may not add as a result of rounding.

(2) These reserves represent the estimated quantities of fuel gas required to operate the Jubilee and TEN FPSOs during normal field operations and the associated gas forecasted to be exported from TEN. This volume of associated gas is included as of December 31, 2017 as a result of the finalization of the TEN Associated-Gas Gas Sales Agreement (TAG GSA). If and when a subsequent gas sales agreement is executed for Jubilee, a portion of the remaining Jubilee gas may be recognized as reserves. If and when a gas sales agreement and the related infrastructure are in place for the TEN fields non-associated gas, a portion of the remaining gas may be recognized as reserves.

(3) All of our proved undeveloped reserves are expected to be developed within six years or less. Proved undeveloped reserves expected to be developed beyond five years are related to long-term projects which will be completed under a continuous drilling program. As of December 31, 2017, we recognized 24.4 MMBoe of proved undeveloped reserves related to the Jubilee and TEN fields, representing approved future drilling in both fields.

(4) We disclose our share of reserves that are accounted for by the equity method.

Changes for the year ended December 31, 2017, include an increase of 15.6 MMBbl in Jubilee related to the approval of the Greater Jubilee Full Field Development Plan (GJFFDP), partially offset by 7.7 MMBbl of net Jubilee production during 2017. Changes at TEN include an increase of 7.2 MMBoe as a result of positive Ntomme performance and the finalization of the TAG GSA, which was partially offset by 3.3 MMBbl of net TEN production during 2017. As a result of the approval of the GJFFDP, we now have 10.4 MMBbl of proved undeveloped reserves in the Greater Jubilee area, representing future infill drilling plans. Changes for 2017 also include the initial certification of proved volumes in Equatorial Guinea, representing the reserves associated with our equity method investment.

Changes for the year ended December 31, 2016, include an increase of 8.3 MMBbl in TEN related to a revision resulting from additional technical data and analysis, partially offset by 0.9 MMBbl of net TEN production during 2016, and negative revisions to Jubilee of 1.0 MMBbl due to lower oil prices and 6.2 MMBbl of net Jubilee production during 2016. During the year ended December 31, 2016, we had 14 MMBoe of our proved undeveloped reserves from December 31, 2015 convert to proved developed reserves due to the completion of seven wells in the TEN fields, the initiation of TEN production and 2016 revisions, and we incurred $198.5 million of capital expenditures for TEN.

Changes for the year ended December 31, 2015, include an increase of 11.8 MMBbl of net proved reserves related to Jubilee field performance and in-fill drilling results, which were partially offset by negative revisions to the TEN fields of 2.1 MMBbl due to lower oil prices and by 8.6 MMBbl of net Jubilee production during 2015. During the year ended December 31, 2015, we had a 6 MMBoe reduction in our proved undeveloped reserves from December 31, 2014. The decrease was a result of an approximately 2 MMBoe negative revision associated with our TEN fields, due to shorter economic life as a result of lower oil price. We incurred $80.6 million of capital expenditures related the drilling and completion of two wells pursuant to the Jubilee Field Phase 1A and 1A addendum developments resulting in the conversion of approximately 3 MMBoe of proved undeveloped reserves to proved developed reserves associated with our Jubilee Field.

The following table sets forth the estimated future net revenues, excluding derivatives contracts, from net proved reserves and the expected benchmark prices used in projecting net revenues at December 31, 2017. All estimated future net revenues are attributable to projected production from the Jubilee and the TEN fields in Ghana and our equity method investment. If we are unable to export associated natural gas in large quantities from the Jubilee and TEN fields then production could be limited and the future net revenues discussed herein will be adversely affected.

	Estimated Future Net Revenues(4) (in millions except $/Bbl)		
	Kosmos	Equity Method Investment	Total
Estimated future net revenues	$ 1,286	$ 9	$ 1,295
Present value of estimated future net revenues:			
PV-10(1)	$ 971	$ 130	$ 1,101
Future income tax expense (levied at a corporate parent and intermediate subsidiary level)	—	—	—
Discount of future income tax expense (levied at a corporate parent and intermediate subsidiary level) at 10% per annum	—	—	—
Standardized Measure(2)	$ 971	$ 130	$ 1,101
Benchmark and differential oil price($/Bbl)(3)	$ 54.42	$ 54.42	

(1) PV-10 represents the present value of estimated future revenues to be generated from the production of proved oil and natural gas reserves, net of future development and production costs, royalties, additional oil entitlements and future tax expense levied at an asset level, using prices based on an average of the first-day-of-the-months throughout 2017 and costs as of the date of estimation without future escalation, without giving effect to hedging activities, non-property related expenses such as general and administrative expenses, debt service and depreciation, depletion and amortization, and discounted using an annual discount rate of 10% to reflect the timing of future cash flows. PV-10 is a non-GAAP financial measure and often differs from Standardized Measure, the most directly comparable GAAP financial measure, because it does not include the effects of future income tax expense related to proved oil and gas reserves levied at a corporate parent level on future net revenues. However, it does include the effects of future tax expense levied at an asset level. Neither PV-10 nor Standardized Measure represents an estimate of the fair market value of our oil and natural gas assets. PV-10 should not be considered as an alternative to the Standardized Measure as computed under GAAP; however, we and others in the industry use PV-10 as a measure to compare the relative size and value of proved reserves held by companies without regard to the specific corporate tax characteristics of such entities.

(2) Standardized Measure represents the present value of estimated future cash inflows to be generated from the production of proved oil and natural gas reserves, net of future development and production costs, future income tax expense related to our proved oil and gas reserves levied at a corporate parent and intermediate subsidiary level, royalties, additional oil entitlements and future tax expense levied at an asset level, without giving effect to hedging activities, non-property related expenses such as general and administrative expenses, debt service and depreciation, depletion and amortization, and discounted using an annual discount rate of 10% to reflect timing of future cash flows and using the same pricing assumptions as were used to calculate PV-10. Standardized Measure often differs from PV-10 because Standardized Measure includes the effects of future income tax expense related to our proved oil and gas reserves levied at a corporate parent level on future net revenues. However, as we are a tax exempted company incorporated pursuant to the laws of Bermuda, we do not expect to be subject to future income tax expense related to our proved oil and gas reserves levied at a corporate parent level on future net revenues. Therefore, the year-end 2017 estimate of PV-10 is equivalent to the Standardized Measure.

(3) The unweighted arithmetic average first-day-of-the-month prices for the prior 12 months was $54.42 for Dated Brent at December 31, 2017. The price was adjusted for crude handling, transportation fees, quality, and a regional price differential. These adjustments are estimated to include a $0.10 premium, a $0.02 premium and a $0.53 discount relative to Dated Brent for the Jubilee Field, TEN fields and our equity method investment, respectively. The adjusted price utilized to derive the Jubilee Field PV-10, TEN PV-10 and equity method investment PV-10 is $54.52, $54.44 and $53.89, respectively.

(4) Future net revenues and PV-10 have been adjusted from the reserve report which is based on the entitlements method as we account for oil and gas revenues under the sales method of accounting.

Estimated proved reserves

Unless otherwise specifically identified in this report, the summary data with respect to our estimated net proved reserves for the years ended December 31, 2017, 2016 and 2015 has been prepared by Ryder Scott Company, L.P. ("RSC"), our independent reserve engineering firm for such years, in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to companies involved in oil and natural gas producing activities. These rules require SEC reporting companies to prepare their reserve estimates using reserve definitions and pricing based on 12-month historical unweighted first-day-of-the-month average prices, rather than year-end prices. For a definition of proved reserves under the SEC rules, see the "Glossary and Selected Abbreviations." For more information regarding our independent reserve engineers, please see "—Independent petroleum engineers" below.

Our estimated proved reserves and related future net revenues, PV-10 and Standardized Measure were determined using index prices for oil, without giving effect to derivative transactions, and were held constant throughout the life of the assets.

Future net revenues represent projected revenues from the sale of proved reserves net of production and development costs (including operating expenses and production taxes). Such calculations at December 31, 2017 are based on costs in effect at December 31, 2017 and the 12-month unweighted arithmetic average of the first-day-of-the-month price for the year ended December 31, 2017, adjusted for anticipated market premium, without giving effect to derivative transactions, and are held constant throughout the life of the assets. There can be no assurance that the proved reserves will be produced within the periods indicated or prices and costs will remain constant.

Independent petroleum engineers

Ryder Scott Company, L.P.

RSC, our independent reserve engineers for the years ended December 31, 2017, 2016 and 2015, was established in 1937. For over 75 years, RSC has provided services to the worldwide petroleum industry that include the issuance of reserves reports and audits, appraisal of oil and gas properties including fair market value determination, reservoir simulation studies, enhanced recovery services, expert witness testimony, and management advisory services. RSC professionals subscribe to a code of professional conduct and RSC is a Registered Engineering Firm in the State of Texas.

For the years ended December 31, 2017, 2016 and 2015, we engaged RSC to prepare independent estimates of the extent and value of the proved reserves of certain of our oil and gas properties. These reports were prepared at our request to estimate our reserves and related future net revenues and PV-10 for the periods indicated therein. Our estimated reserves at December 31, 2017, 2016 and 2015 and related future net revenues and PV-10 at December 31, 2017, 2016 and 2015 are taken from reports prepared by RSC, in accordance with petroleum engineering and evaluation principles which RSC believes are commonly used in the industry and definitions and current regulations established by the SEC. The December 31, 2017 reserve report was completed on January 13, 2018, and a copy is included as an exhibit to this report.

In connection with the preparation of the December 31, 2017, 2016 and 2015 reserves report, RSC prepared its own estimates of our proved reserves. In the process of the reserves evaluation, RSC did not independently verify the accuracy and completeness of information and data furnished by us with respect to ownership interests, oil and gas production, well test data, historical costs of operation and development, product prices or any agreements relating to current and future operations of the fields and sales of production. However, if in the course of the examination something came to the attention of RSC which brought into question the validity or sufficiency of any such information or data, RSC did not rely on such information or data until it had satisfactorily resolved its questions relating thereto or had independently verified such information or data. RSC independently prepared reserves estimates to conform to the guidelines of the SEC, including the criteria of "reasonable certainty," as it pertains to expectations about the recoverability of reserves in future years, under existing economic and operating conditions, consistent with the definition in Rule 4-10(a)(2) of Regulation S-X. RSC issued a report on our proved reserves at December 31, 2017, based upon its evaluation. RSC's primary economic assumptions in estimates included an ability to sell Jubilee, TEN and our equity method investment field oil at a price of $54.52, $54.44 and $53.89, respectively, and certain levels of future capital expenditures. The assumptions, data, methods and precedents were appropriate for the purpose served by these reports, and RSC used all methods and procedures as it considered necessary under the circumstances to prepare the report.

Technology used to establish proved reserves

Under the SEC rules, proved reserves are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. The term "reasonable certainty" implies a high degree of confidence that the quantities of oil and/or natural gas actually recovered will equal or exceed the estimate. Reasonable certainty can be established using techniques that have proved effective by actual comparison of production from projects in the same reservoir interval, an analogous reservoir or by other evidence using reliable technology that establishes reasonable certainty. Reliable technology is a grouping of one or more technologies (including computational methods) that have been field tested and have been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

In order to establish reasonable certainty with respect to our estimated proved reserves, RSC employed technologies that have been demonstrated to yield results with consistency and repeatability. The technologies and economic data used in the estimation of our proved reserves include, but are not limited to, production and injection data, electrical logs, radioactivity logs, acoustic logs, whole core analysis, sidewall core analysis, downhole pressure and temperature measurements, reservoir fluid samples, geochemical information, geologic maps, seismic data, well test and interference pressure and rate data. Reserves attributable to undeveloped locations were estimated using performance from analogous wells with similar geologic depositional environments, rock quality, appraisal plans and development plans to assess the estimated ultimate recoverable reserves as a function of the original oil in place. These qualitative measures are benchmarked and validated against sound petroleum reservoir engineering principles and equations to estimate the ultimate recoverable reserves volume. These techniques include, but are not limited to, nodal analysis, material balance, and numerical flow simulation.

Internal controls over reserves estimation process

In our Reservoir Engineering team, we maintain an internal staff of petroleum engineering and geoscience professionals with significant international experience that contribute to our internal reserve and resource estimates. This team works closely with our independent petroleum engineers to ensure the integrity, accuracy and timeliness of data furnished in their reserve and resource estimation process. Our Reservoir Engineering team is responsible for overseeing the preparation of our reserves estimates and has over 100 combined years of industry experience among them with positions of increasing responsibility in engineering and evaluations. Each member of our team holds a minimum of Bachelor of Science degree in petroleum engineering or geology.

The RSC technical person primarily responsible for preparing the estimates set forth in the RSC reserves report incorporated herein is Mr. Guadalupe Ramirez. Mr. Ramirez has been practicing consulting petroleum engineering at RSC since 1981. Mr. Ramirez is a Licensed Professional Engineer in the State of Texas (No. 48318) and has over 35 years of practical experience in petroleum engineering. He graduated from Texas A&M University in 1976 with a Bachelor of Science Degree in Mechanical Engineering. Mr. Ramirez meets or exceeds the education, training, and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers and is proficient in judiciously applying industry standard practices to engineering and geoscience evaluations as well as applying SEC and other industry reserves definitions and guidelines.

The Audit Committee provides oversight on the processes utilized in the development of our internal reserve and resource estimates on an annual basis. In addition, our Reservoir Engineering team meets with representatives of our independent reserve engineers to review our assets and discuss methods and assumptions used in preparation of the reserve and resource estimates. Finally, our senior management reviews reserve and resource estimates on an annual basis.

Gross and Net Undeveloped and Developed Acreage

The following table sets forth certain information regarding the developed and undeveloped portions of our license areas as of December 31, 2017 for the countries in which we currently operate.

	Developed Area (Acres)		Undeveloped Area (Acres)		Total Area (Acres)	
	Gross	Net(1)	Gross	Net(1)	Gross	Net(1)
			(In thousands)			
Ghana						
Jubilee Unit	52	13	—	—	52	13
TEN	111	19	—	—	111	19
West Cape Three Points(2)	—	—	28	9	28	9
Deepwater Tano(2)	—	—	27	4	27	4
Equatorial Guinea(3)						
Block EG-21	—	—	617	247	617	247
Block S	—	—	308	123	308	123
Block W	—	—	557	223	557	223
Mauritania						
Block C6	—	—	1,063	298	1,063	298
Block C8	—	—	2,220	622	2,220	622
Block C12	—	—	1,273	356	1,273	356
Block C13	—	—	1,452	407	1,452	407
Block C18	—	—	3,268	490	3,268	490
Morocco						
Essaouira	—	—	2,171	1,628	2,171	1,628
Sao Tome and Principe						
Block 5	—	—	703	316	703	316
Block 6	—	—	1,241	559	1,241	559
Block 11	—	—	2,209	1,436	2,209	1,436
Block 12	—	—	1,738	782	1,738	782
Senegal						
Cayar Offshore Profond	—	—	1,350	405	1,350	405
Saint Louis Offshore Profond	—	—	1,650	495	1,650	495
Suriname						
Block 42	—	—	1,526	509	1,526	509
Block 45	—	—	1,267	633	1,267	633
Total Kosmos	163	32	24,668	9,542	24,831	9,574
Equity method investment(4)	65	28	—	—	65	28
Total	228	60	24,668	9,542	24,896	9,602

(1) Net acreage based on Kosmos' participating interest, before the exercise of any options or back-in rights, except for our net acreage associated with the Jubilee and TEN fields, which are after the exercise of options or back-in rights. Our net acreage in Ghana may be affected by any redetermination of interests in the Jubilee Unit.

(2) The Exploration Period of the WCTP petroleum contract and DT petroleum contract has expired. The undeveloped area reflected in the table above represents acreage within our discovery areas that were not subject to relinquishment on the expiry of the Exploration Period.

(3) Ratification of the petroleum contracts by the President of Equatorial Guinea is required before the petroleum contracts become effective.

(4) Represents our 50% interest in KTIPI.

Productive Wells

Productive wells consist of producing wells and wells capable of production, including wells awaiting connections. For wells that produce both oil and gas, the well is classified as an oil well. The following table sets forth the number of productive oil and gas wells in which we held an interest at December 31, 2017:

	Productive Oil Wells		Productive Gas Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Ghana—Jubilee Unit	26	6.24	—	—	26	6.24
Ghana—Ten(1)	11	1.87	—	—	11	1.87
Kosmos Total	37	8.11	—	—	37	8.11
Equity Method Investment(2)(3)	96	38.78	—	—	96	38.78
Total	133	46.89	—	—	133	46.89

(1) Of the 11 productive wells, 10 (gross) or 1.70 (net) have multiple completions within the wellbore.

(2) Represents our 50% interest in KTIPI.

(3) Of the 96 productive wells, 6 (gross) or 2.42 (net) have multiple completions within the wellbore.

Drilling activity

The results of oil and natural gas wells drilled and completed for each of the last three years were as follows:

	Exploratory and Appraisal Wells(1)						Development Wells(1)							
	Productive(2)		Dry(3)		Total		Productive(2)		Dry(3)		Total		Total	Total
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Year Ended December 31, 2017														
Ghana														
Jubilee Unit	—	—	—	—	—	—	—	—	—	—	—	—	—	—
TEN	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mauritania														
Block C8	—	—	1	0.28	1	0.28	—	—	—	—	—	—	1	0.28
Block C12	—	—	1	0.28	1	0.28	—	—	—	—	—	—	1	0.28
Total	—	—	2	0.56	2	0.56	—	—	—	—	—	—	2	0.56
Year Ended December 31, 2016														
Ghana														
Jubilee Unit	—	—	—	—	—	—	—	—	—	—	—	—	—	—
TEN	—	—	—	—	—	—	7	1.19	—	—	7	1.19	7	1.19
Total	—	—	—	—	—	—	7	1.19	—	—	7	1.19	7	1.19
Year Ended December 31, 2015														
Ghana														
Jubilee Unit	—	—	—	—	—	—	3	0.72	—	—	3	0.72	3	0.72
TEN	—	—	—	—	—	—	4	0.68	—	—	4	0.68	4	0.68
Morocco (including Western Sahara)														
Cap Boujdour	—	—	1	0.55	1	0.55	—	—	—	—	—	—	1	0.55
Total	—	—	1	0.55	1	0.55	7	1.40	—	—	7	1.40	8	1.95

(1) As of December 31, 2017, nine exploratory and appraisal wells have been excluded from the table until a determination is made if the wells have found proved reserves. Also excluded from the table are 14 development wells awaiting completion. These wells are shown as “Wells Suspended or Waiting on Completion” in the table below.

(2) A productive well is an exploratory or development well found to be capable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or natural gas producing well. Productive wells are included in the table in the year they were determined to be productive, as opposed to the year the well was drilled.

(3) A dry well is an exploratory or development well that is not a productive well. Dry wells are included in the table in the year they were determined not to be a productive well, as opposed to the year the well was drilled.

The following table shows the number of wells that are in the process of being drilled or are in active completion stages, and the number of wells suspended or waiting on completion as of December 31, 2017.

	Actively Drilling or Completing				Wells Suspended or Waiting on Completion			
	Exploration		Development		Exploration		Development	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Ghana								
Jubilee Unit	—	—	—	—	—	—	9	2.17
West Cape Three Points	—	—	—	—	2	0.62	—	—
TEN	—	—	—	—	—	—	5	0.85
Deepwater Tano	—	—	—	—	1	0.18	—	—
Mauritania								
C8	—	—	—	—	3	0.84	—	—
Senegal								
Saint Louis Offshore Profond	1	0.30	—	—	1	0.30	—	—
Cayar Profond	—	—	—	—	2	0.60	—	—
Total	1	0.30	—	—	9	2.54	14	3.02

Domestic Supply Requirements

Many of our petroleum contracts or, in some cases, the applicable law governing such agreements, grant a right to the respective host country to purchase certain amounts of oil/gas produced pursuant to such agreements at international market prices for domestic consumption. In addition, in connection with the approval of the Jubilee Phase 1 PoD, the Jubilee Field partners agreed to provide the first 200 Bcf of natural gas produced from the Jubilee Field Phase 1 development to GNPC at no cost. As of December 31, 2017, 78 Bcf of the 200 Bcf of natural gas has been provided.

Significant License Agreements

Below is a discussion concerning the petroleum contracts governing our current drilling and production operations.

West Cape Three Points Block

As a result of the approval of the GJFFDP by the Ghana Ministry of Energy in October 2017, operatorship for the Mahogany and Teak discoveries transferred to Tullow in February 2018 and are now included in the Jubilee Unit. Kosmos is required to pay a fixed royalty of 5% and a sliding-scale royalty ("additional oil entitlement") which escalates as the nominal project rate of return increases. These royalties are to be paid in-kind or, at the election of the government of Ghana, in cash. A corporate tax rate of 35% is applied to profits at a country level.

The WCTP petroleum contract has a duration of 30 years from its effective date (July 2004). However, in July 2011, at the end of the seven-year Exploration Period, parts of the WCTP Block on which we had not declared a discovery area, were not in a development and production area, or were not in the Jubilee Unit, were relinquished ("WCTP Relinquishment Area"). We maintain rights to the Akasa discovery within the WCTP Block as the WCTP petroleum contract remains in effect after the end of the Exploration Period. We and our WCTP Block partners have certain rights to negotiate a new petroleum contract with respect to the WCTP Relinquishment Area. We and our WCTP Block partners, the Ghana Ministry of Energy and GNPC have agreed such WCTP petroleum contract rights to negotiate extend from July 21, 2011 until such time as either a new petroleum contract is negotiated and entered into with us or we decline to match a bona fide third party offer GNPC may receive for the WCTP Relinquishment Area.

Deepwater Tano Block

Tullow is the operator of the Deepwater Tano Block. Under the DT petroleum contract, GNPC exercised its option to acquire an additional paying interest of 5% in the commercial discovery with respect to the Jubilee Field development and the TEN Fields development. Kosmos is required to pay a fixed royalty of 5% and an additional oil entitlement which escalates as the nominal project rate of return increases. These royalties are to be paid in-kind or, at the election of the government of Ghana, in cash. A corporate tax rate of 35% is applied to profits at a country level.

In January 2013, at the end of the seven-year Exploration Period, parts of the DT Block on which we had not declared a discovery area, were not in a development and production area, or were not in the Jubilee Unit, were relinquished ("DT Relinquishment Area"). Our existing Wawa discovery within the DT Block was not subject to relinquishment upon expiration of the Exploration Period of the DT petroleum contract, as the DT petroleum contract remains in effect after the end of the Exploration Period while commerciality is being determined. Pursuant to our DT petroleum contract, we and our DT Block partners have certain rights to negotiate a new petroleum contract with respect to the DT Relinquishment Area until such time as either a new petroleum contract is negotiated and entered into with us or we decline to match a bona fide third party offer GNPC may receive for the DT Relinquishment Area.

The Ghanaian Petroleum Exploration and Production Law of 1984 (PNDCL 84) (the "1984 Ghanaian Petroleum Law") and the WCTP and DT petroleum contracts form the basis of our exploration, development and production operations on the WCTP and DT blocks. Pursuant to these petroleum contracts, most significant decisions, including PoDs and annual work programs, for operations other than exploration and appraisal, must be approved by a joint management committee, consisting of representatives of certain block partners and GNPC. Certain decisions require unanimity.

Jubilee Field Unitization

The Jubilee Field, discovered by the Mahogany-1 well in June 2007, covers an area within both the WCTP and DT Blocks. It was agreed the Jubilee Field would be unitized for optimal resource recovery. A Pre-Unit Agreement was agreed to between the contractors groups of the WCTP and DT Blocks in 2008, with a more comprehensive unit agreement, the UUOA, agreed to in 2009 which govern each party's respective rights and duties in the Jubilee Unit. Tullow is the Unit Operator, while Kosmos was the Technical Operator for the initial development of the Jubilee Field. The Jubilee Unit holders' interests are subject to redetermination in accordance with the terms of the UUOA. Although the Jubilee Field is unitized, Kosmos' participating interests in each block outside the boundary of the Jubilee Unit remain the same. Our Unit interest is 24.1% subject to redetermination of the participating interests pursuant to the terms of the UUOA. Our paying interest on development activities is 26.9%.

Morocco Exploration Agreements

Effective April 2, 2012, we entered into the Essaouria Offshore Petroleum Agreement as operator. During 2016, our partner BP, relinquished their participating interest in the petroleum contract. The Moroccan national oil company, ONHYM's, participating interest is carried by the block partners proportionately during the exploration phase. We are required to pay a 10% royalty on oil produced in water depths of 200 meters or less (the first 300,000 tons produced are exempt from royalty) and 7% royalty on oil produced in water depths deeper than 200 meters (the first 500,000 tons produced are exempt from royalty). These royalties are to be paid in-kind or, at the election of the government of Morocco, in cash. A corporate tax rate of 30% is applied to profits at the license level following a 10-year tax holiday post first production. The term of the Essaouria Offshore Permits, beginning November 8, 2011, is eight years and includes an initial exploration period of two years and six months followed by the first extension period of four years and six months and the second extension period of one year. We are currently in the first extension period of the exploration permit, which as a result of an amendment in October 2016, ends in November 2018. In the event of commercial success, we have the right to develop and produce oil and/or gas for a period of 25 years from the grant of an exploitation authorization from the government, which may be extended for an additional period of 10 years under certain circumstances.

Suriname Exploration Agreements

In December 2011, we signed a petroleum contract covering Offshore Block 42 located offshore Suriname and are the operator. Staatsolie Maatschappij Suriname N.V. ("Staatsolie"), Suriname's national oil company, has the option to back into the contract with an interest of not more than 10% upon approval of a development plan. The Block 42 petroleum contract provides for us to recover our share of expenses incurred ("cost recovery oil") and our share of remaining oil ("profit oil"). Cost recovery oil is apportioned to the contractor from up to 80% of gross production prior to profit oil being split between the government of Suriname and the contractor. Profit oil is then apportioned based upon "R-factor" tranches, where the R-factor is cumulative net revenues divided by cumulative net investment. A corporate tax rate of 36% is applied to profits. We are in the initial period of

the exploration phase, which has been extended and ends in September 2018. There are two renewal periods consisting of three years for the first renewal period and two years for the second renewal period. Each renewal period carries a one well drilling obligation. In the event of commercial success, the duration of the contract will be 30 years from the effective date or 25 years from governmental approval of a plan of development, whichever is longer. Block 42 comprises approximately 1.5 million acres (approximately 6,176 square kilometers).

In December 2011, we signed a petroleum contract covering Offshore Block 45 located offshore Suriname and are the operator. Staatsolie will be carried through the exploration and appraisal phases and has the option to back into the petroleum contract with an interest of not more than 15% upon approval of a development plan. The Block 45 petroleum contract provides for us to recover our share of expenses incurred ("cost recovery oil") and our share of remaining oil ("profit oil"). Cost recovery oil is apportioned to the contractor from up to 80% of gross production prior to profit oil being split between the government of Suriname and the contractor. Profit oil is then apportioned based upon "R-factor" tranches, where the R-factor is cumulative net revenues divided by cumulative net investment. A corporate tax rate of 36% is applied to profits. We are currently in the initial period of the exploration phase, which has been extended and ends in September 2018. Following the initial period, there are two renewal periods consisting of two years each. Each renewal period carries a one well drilling obligation. In the event of commercial success, the duration of the contract will be 30 years from the effective date or 25 years from governmental approval of a plan of development, whichever is longer.

Mauritania Exploration Agreements

Effective June 2012, we entered into three petroleum contracts covering offshore Mauritania blocks C8, C12 and C13 with the Islamic Republic of Mauritania. We provide technical exploration services to BP, the operator. The Mauritanian national oil company, SMHPM, currently has a 10% carried participating interest during the exploration period only. Should a commercial discovery be made, SMHPM's 10% carried interest is extinguished and SMHPM will have an option to acquire a participating interest between 10% and 14%. SMHPM will pay its portion of development and production costs in a commercial development. Cost recovery oil is apportioned to the contractor from up to 55% of total production prior to profit oil being split between the government of Mauritania and the contractor. Profit oil is then apportioned based upon "R-factor" tranches, where the R-factor is cumulative net revenues divided by the cumulative investment. At the election of the government of Mauritania, the government may receive its share of production in cash or in kind. A corporate tax rate of 27% is applied to profits at the license level. The terms of exploration periods of these Offshore Blocks are all ten years and include an initial exploration period of four years followed by the first extension period of three years and the second extension period of three years. Kosmos is currently in the first extension period of the blocks, expiring in June 2019. In the event of commercial success, we have the right to develop and produce oil for 25 years and gas for 30 years from the grant of an exploitation authorization from the government, which may be extended for an additional period of 10 years under certain circumstances.

In September 2017, we acquired a 15% non-operated participating interest in Block C18 offshore Mauritania. Based on the terms of the agreement, we will reimburse a portion of past and interim period costs and partially carry Tullow's share of a planned 3D seismic program. We will also pay Tullow $2.5 million by the end of the initial phase of the exploration period for additional carry of seismic and other joint account costs. SMHPM currently has a 10% carried participating interest during the exploration period. Should a commercial discovery be made, SMHPM's 10% carried interest is extinguished and SMHPM will have an option to acquire a participating interest between 10% and 15%. SMHPM will pay its portion of development and production costs in a commercial development. The terms of exploration periods are ten years and include an initial exploration period of seven years from the effective date (June 15, 2012), including extensions received prior to our entry into Block 18. The first exploration phase includes a 7,600 square kilometer 3D seismic requirement, which is currently being acquired.

Senegal Exploration Agreements

In June 2015, we entered the first renewal of the exploration period for the Senegal Blocks Contract Areas, which lasts for three years. The exploration phase of each contract area may be extended to December 2020 at our election subject to our fulfilling specific work obligations including an exploration well in the final period of two and one half years. In the event of commercial success, we have the right to develop and produce oil and/or gas for a period of 25 years from the grant of an exploitation authorization from the government, which may be extended for at least one additional period of 10 years under certain circumstances.

Sao Tome and Principe Exploration Agreements

In late 2015 and early 2016, Kosmos entered into petroleum contracts for Blocks 5, 6, 11 and 12 in Sao Tome and Principe.

In Block 11, the Agencia Nacional Do Petroleo De Sao Tome E Príncipe ("ANP STP") has a carried 15% participating interest. The production sharing contract was awarded in July 2014, and provides for an initial exploration period of eight years with possible extensions and includes a first phase exploration period of four years followed by the second phase of two years and the third phase of two years. The block is currently in the first phase, expiring in July 2019 after receiving a one year extension in November 2017. The next exploration phases are subject to fulfillment of specific work obligations. In the event of commercial success, we have the right to develop and produce oil and/or gas for a period of 20 years from the approval of a field development program by ANP STP, which may be extended for additional periods of five years until all commercial hydrocarbons have been depleted.

In Block 6, ANP STP has a carried 10% participating interest. The production sharing contract was awarded in October 2015, and provides for an initial exploration period of eight years with possible extensions and includes a first phase exploration period of four years followed by the second phase of two years and the third phase of two years. The block is currently in the first phase, expiring in November 2019. The next exploration phases are subject to fulfillment of specific work obligations. In the event of commercial success, we have the right to develop and produce oil and/or gas for a period of 20 years from the approval of a field development program by ANP STP, which may be extended for additional periods of five years until all commercial hydrocarbons have been depleted.

In Block 5 and Block 12, ANP STP has a 15% and 12.5% carried interest , respectively. The production sharing contracts were awarded in May 2012 and February 2016, respectively, and provide for an initial exploration period of eight years with possible extensions and include a first phase exploration period of four years followed by the second phase of two years and the third phase of two years. The blocks are currently in the first phase, expiring in May of 2019 and February 2020, respectively (the first phase of Block 5 has been extended twice for a total of 3 years). The next exploration phases are subject to fulfillment of specific work obligations. In the event of commercial success, we have the right to develop and produce oil and/or gas for a period of 20 years from the approval of a field development program by ANP STP, which may be extended for additional periods of five years until all commercial hydrocarbons have been depleted.

Equatorial Guinea Exploration Agreements

In October 2017, we entered into petroleum contracts covering Blocks EG-21, S, and W with the Republic of Equatorial Guinea. Ratification of the petroleum contracts by the President of Equatorial Guinea is expected in early 2018. Upon ratification, we will have an 80% participating interest and will be the operator in all three blocks, but pursuant to an agreement with Trident we expect to assign a 40% participating interest in the blocks to Trident. The Equatorial Guinean national oil company, Guinea Equatorial De Petroleos ("GEPetrol"), currently has a 20% carried participating interest during the exploration period. Should a commercial discovery be made, GEPetrol's 20% carried interest will convert to a 20% participating interest. The petroleum contracts cover approximately 6,000 square kilometers, with a first exploration period of five years from the date of notification of ratification by the President of Equatorial Guinea. The first exploration period consists of two sub-periods of three and two years, respectively. The first exploration sub-period work program includes an approximately 6,000 square kilometer 3D seismic acquisition requirement across the three blocks.

Cote d'Ivoire

In December 2017, we entered into petroleum contracts covering Blocks CI-526, CI-602, CI-603, CI-707 and CI-708 with the Government of Cote d'Ivoire, and we are the operator. The Cote d'Ivoire national oil company, PETROCI Holding ("PETROCI"), currently has a 10% carried interest. The petroleum contracts cover approximately 17,000 square kilometers, with a first exploration period of three years with two possible extensions of three years each. The next exploration phases are subject to fulfillment of specific work programs. The first exploration period work program includes a 12,000 square kilometer 3D seismic acquisition across the five blocks.

Sales and Marketing

As provided under the UUOA and the WCTP and DT petroleum contracts, we are entitled to lift and sell our share of the Jubilee and TEN production as are the other Jubilee Unit and TEN partners. We have entered into an agreement with an oil marketing agent to market our share of the Jubilee and TEN fields oil, and we approve the terms of each sale proposed by such agent. We do not anticipate entering into any long term sales agreements at this time.

In December 2017, we signed the TEN Associated-Gas Gas Sales Agreement (TAG GSA) and we expect to begin exporting TEN associated gas to shore in the second quarter of 2018. The TAG GSA provides for a sales price of $0.50 per mmbtu.

As provided under the Production Sharing Contract for Block G, KTEGI is entitled to lift and sell our share of the Ceiba Blend production as are the other Ceiba Blend partners. KTEGI has entered into an agreement with an oil marketing agent to market our share of the Ceiba Blend oil, and we approve the terms of each sale proposed by such agent. We do not anticipate entering into any long term sales agreements at this time.

There are a variety of factors which affect the market for oil, including the proximity and capacity of transportation facilities, demand for oil both within the local market and beyond, the marketing of competitive fuels and the effects of government regulations on oil production and sales. Our revenue can be materially affected by current economic conditions and the price of oil. However, based on the current demand for crude oil and the fact that alternative purchasers are available, we believe that the loss of our marketing agent and/or any of the purchasers identified by our marketing agent would not have a long-term material adverse effect on our financial position or results of operations.

Competition

The oil and gas industry is competitive. We encounter strong competition from other independent operators and from major oil companies in acquiring licenses. Many of these competitors have financial and technical resources and staff that are substantially larger than ours. As a result, our competitors may be able to pay more for desirable oil and natural gas assets, or to evaluate, bid for and purchase a greater number of licenses than our financial or personnel resources will permit. Furthermore, these companies may also be better able to withstand the financial pressures of lower commodity prices, unsuccessful wells, volatility in financial markets and generally adverse global and industry-wide economic conditions. These companies may also be better able to absorb the burdens resulting from changes in relevant laws and regulations, which may adversely affect our competitive position.

Historically, we have also been affected by competition for drilling rigs and the availability of related equipment. Higher commodity prices generally increase the demand for drilling rigs, supplies, services, equipment and crews. Shortages of, or increasing costs for, experienced drilling crews and equipment and services may restrict our ability to drill wells and conduct our operations.

The oil and gas industry as a whole has experienced an extended decline in crude oil prices. Dated Brent crude, the benchmark for our oil sales, ranged from approximately $44 to $67 per barrel during 2017. Excluding the impact of hedges, our realized price for 2017 was $53.73 per barrel. We believe lower prices will generally result in greater availability of assets and necessary equipment. However the impacts on the industry from a competitive perspective are not entirely known at this point.

Title to Property

Other than as specified in this annual report on Form 10-K, we believe that we have satisfactory title to our oil and natural gas assets in accordance with standards generally accepted in the international oil and gas industry. Our licenses are subject to customary royalty and other interests, liens under operating agreements and other burdens, restrictions and encumbrances customary in the oil and gas industry that we believe do not materially interfere with the use of, or affect the carrying value of, our interests.

Environmental Matters

General

We are subject to various stringent and complex international, foreign, federal, state and local environmental, health and safety laws and regulations governing matters including the emission and discharge of pollutants into the ground, air or water; the generation, storage, handling, use and transportation of regulated materials; and the health and safety of our employees. These laws and regulations may, among other things:

- require the acquisition of various permits before operations commence;
- enjoin some or all of the operations or facilities deemed not in compliance with permits;
- restrict the types, quantities and concentration of various substances that can be released into the environment in connection with oil and natural gas drilling, production and transportation activities;
- limit, cap, tax or otherwise restrict emissions of GHG and other air pollutants or otherwise seek to address or minimize the effects of climate change;

- limit or prohibit drilling activities in certain locations lying within protected or otherwise sensitive areas; and
- require measures to mitigate or remediate pollution, including pollution resulting from our block partners' or our contractors' operations.

These laws and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible. Compliance with these laws can be costly; the regulatory burden on the oil and natural gas industry increases the cost of doing business in the industry and consequently affects profitability. We cannot assure you that we have been or will be at all times in compliance with such laws, or that environmental laws and regulations will not change or become more stringent in the future in a manner that could have a material adverse effect on our financial condition and results of operations.

Moreover, public interest in the protection of the environment continues to increase. Offshore drilling in some areas has been opposed by environmental groups and, in other areas, has been restricted. Our operations could be adversely affected to the extent laws or regulations are enacted or other governmental action is taken that prohibits or restricts offshore drilling or imposes environmental requirements that increase costs to the oil and gas industry in general, such as more stringent or costly waste handling, disposal or cleanup requirements or financial responsibility and assurance requirements.

Capping and Containment

We entered into an agreement with a third party service provider for it to supply subsea capping and containment equipment on a global basis. The equipment includes capping stacks, debris removal, subsea dispersant and auxiliary equipment. The equipment meets industry accepted standards and can be deployed by air cargo and other conventional means to suit multiple application scenarios. We also developed an emergency response plan and response organization to prepare and demonstrate our readiness to respond to a subsea well control incident.

Oil Spill Response

To complement our agreement discussed above for subsea capping and containment equipment, we became a charter member of the Global Dispersant Stockpile. The dispersant stockpile, which is managed by Oil Spill Response Limited ("OSRL") of Southampton, United Kingdom ("UK"), an oil spill response contractor, consists of 5,000 cubic meters of dispersant strategically located at OSRL bases around the world. The total volume of the stockpile located at the OSRL bases is calculated to provide members with the ability to respond to a major spill incident.

Mauritania and Senegal (Operated and Non-operated)

Kosmos maintains Oil Spill Contingency Plans ("OSCP") to support our drilling operations in countries where we operate. The plans are based on the principle of "Tiered Response" to oil spills ("Guide to Tiered Response and Preparedness", IPIECA Report Series, Volume 14, 2007). A Tier 1 spill is defined as a small-scale operational incident which can be addressed with resources that are immediately available to us. A Tier 2 spill is a larger incident which would need to be addressed with regionally based shared resources. A Tier 3 spill is a large incident which would require assistance from national or world-wide spill co-operatives. Under OSCPs, emergency response teams may be activated to respond to oil spill incidents. The OSCPs call for Tier 1 spill equipment at our shorebases in Nouakchott, Mauritania and Dakar, Senegal to respond to a harbor or shoreline incident in the area. We also maintain dispersant spraying capabilities in the field to respond to an offshore incident. We have access to additional Tier 2 and Tier 3 equipment from OSRL's Southampton, UK location.

Suriname

Kosmos intends to conduct drilling operations in Suriname in 2018. An OSCP has been completed per the previously mentioned "Guide to Tiered Response and Preparedness". Kosmos plans to maintain it's dispersant spraying capabilities in the field. We expect to have access to additional Tier 2 and Tier 3 equipment from OSRL's Americas base in Ft Lauderdale, FL.

Ghana (Non-operated)

Tullow, our partner and the operator of the Jubilee Unit and the TEN fields, maintains an OSCP covering the Jubilee Field and Deepwater Tano Block. Under the OSCPs, emergency response teams may be activated to respond to oil spill incidents. Tullow has access to OSRL's oil spill response services comprising technical expertise and assistance, including access to response equipment and dispersant spraying systems. Tullow maintains lease agreements with OSRL for Tier 1 and Tier 2 packages of oil spill response equipment. Tier 1 equipment, which is stored in "ready to go trailers" for effective mobilization and deployment, includes booms and ancillaries, recovery systems, pumps and delivery systems, oil storage containers, personal protection

equipment, sorbent materials, hand tools, containers and first aid equipment. Tier 2 equipment consists of larger boom and oil recovery systems, pump and delivery systems and auxiliary equipment such as generators and lighting sets, and is also containerized and pre-packed in trailers and ready for mobilization.

Tullow has additional response capability to handle an offshore Tier 1 response. Further, our membership in the West and Central Africa Aerial Surveillance and Dispersant Spraying Service ("WACAF") gives us access to aircraft for surveillance and spraying of dispersant, which is administered by OSRL for a Tier 2 offshore response. The aircraft is based at the Kotoka International Airport in Accra, Ghana with a contractual response time, loaded with dispersant, of six hours. Additional stockpiles of dispersant are maintained in Takoradi, Ghana. Although the above arrangement is in place, we can make no assurance that these resources will be available or respond in a timely manner as intended, perform as designed or be able to fully contain or cap any oil spill, blow-out or uncontrolled flow of hydrocarbons. While a Tier 3 incident is not expected in Ghana, in the case of a Tier 3 incident, Tullow would engage the services of OSRL.

Per common industry practice, under agreements governing the terms of use of the drilling rigs contracted by us or our block partners, the drilling rig contractors indemnify us and our block partners in respect of pollution and environmental damage originating above the surface of the water and from such drilling rig contractor's property, including their drilling rig and other related equipment. Furthermore, pursuant to the terms of the operating agreements for blocks in which we or our block partners are currently drilling, except in certain circumstances, each block partner is responsible for its share of liabilities in proportion to its participating interest incurred as a result of pollution and environmental damage, containment and clean-up activities, loss or damage to any well, loss of oil or natural gas resulting from a blowout, crater, fire, or uncontrolled well, loss of stored oil and natural gas, as well as for plugging or bringing under control any well. We maintain insurance coverage typical of the industry in the areas we operate in; these include property damage insurance, loss of production insurance, wreck removal insurance, control of well insurance, general liability including pollution liability to cover pollution from wells and other operations. We also participate in an insurance coverage program for the Jubilee FPSO. Our insurance is carried in amounts typical for the industry relative to our size and operations and in accordance with our contractual and regulatory obligations.

Equatorial Guinea (Operated and Non-operated)

Kosmos recently entered into a joint venture in Equatorial Guinea through the acquisition KTIPI, which includes the Ceiba Field and Okume Complex. Our current plan is to maintain the existing capabilities to respond to a production spill. Before beginning any drilling campaign, the spill response assets will be evaluated to determine if any new equipment is necessary.

Certain Bermuda Law Considerations

As a Bermuda exempted company, we are subject to regulation in Bermuda. Among other things, we must comply with the provisions of the Bermuda Companies Act regulating the payment of dividends and making of distributions from contributed surplus.

We have been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows us to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to United States residents who are holders of our common shares.

Under Bermuda law, "exempted" companies are companies formed for the purpose of conducting business outside Bermuda from a principal place of business in Bermuda. As an exempted company, we may not, without a license or consent granted by the Minister of Finance, participate in certain business transactions, including transactions involving Bermuda landholding rights and the carrying on of business of any kind for which we are not licensed in Bermuda.

Employees

As of December 31, 2017, we had approximately 280 employees. None of these employees are represented by labor unions or covered by any collective bargaining agreement. We believe that relations with our employees are satisfactory.

Corporate Information

We were incorporated pursuant to the laws of Bermuda as Kosmos Energy Ltd. in January 2011 to become a holding company for Kosmos Energy Holdings. Kosmos Energy Holdings was formed as an exempted company limited by guarantee pursuant to the laws of the Cayman Islands in March 2004. Pursuant to the terms of a corporate reorganization that was completed simultaneously with the closing of our initial public offering, all of the interests in Kosmos Energy Holdings were exchanged for

newly issued common shares of Kosmos Energy Ltd. and as a result, Kosmos Energy Holdings became a wholly owned subsidiary of Kosmos Energy Ltd.

We maintain a registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The telephone number of our registered offices is (441) 295-5950. Our U.S. subsidiary maintains its headquarters at 8176 Park Lane, Suite 500, Dallas, Texas 75231 and its telephone number is (214) 445-9600.

Available Information

Kosmos is listed on the New York Stock Exchange and London Stock Exchange and our common shares are traded under the symbol KOS. We file or furnish annual, quarterly and current reports, proxy statements and other information with the SEC as well as the London Stock Exchange's Regulatory News Service ("LSE RNS"). The public may read and copy any reports, statements or other information at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information about the operation of the public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website at http://www.sec.gov that contains documents we file electronically with the SEC. The LSE RNS maintains a website at http://www.londonstockexchange.com that contains documents we file electronically with the LSE RNS.

The Company also maintains an internet website under the name *www.kosmosenergy.com*. The information on our website is not incorporated by reference into this annual report on Form 10-K and should not be considered a part of this annual report on Form 10-K. Our website is included as an inactive technical reference only. We make available, free of charge, on our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC.

Item 1A. Risk Factors

You should consider and read carefully all of the risks and uncertainties described below, together with all of the other information contained in this report, including the consolidated financial statements and the related notes included in "Item 8. Financial Statements and Supplementary Data." If any of the following risks actually occurs, our business, business prospects, financial condition, results of operations or cash flows could be materially adversely affected. The risks below are not the only ones we face. Additional risks not currently known to us or that we currently deem immaterial may also adversely affect us.

Risks Relating to the Oil and Natural Gas Industry and Our Business

We have limited proved reserves and areas that we decide to drill may not yield oil and natural gas in commercial quantities or quality, or at all.

We have limited proved reserves. A portion of our oil and natural gas assets consists of discoveries without approved PoDs and with limited well penetrations, as well as identified yet unproven prospects based on available seismic and geological information that indicates the potential presence of hydrocarbons. However, the areas we decide to drill may not yield oil or natural gas in commercial quantities or quality, or at all. Many of our current discoveries and all of our prospects are in various stages of evaluation that will require substantial additional analysis and interpretation. Even when properly used and interpreted, 2D and 3D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. Accordingly, we do not know if any of our discoveries or prospects will contain oil or natural gas in sufficient quantities or quality to recover drilling and completion costs or to be economically viable. Even if oil or natural gas is found on our discoveries or prospects in commercial quantities, construction costs of gathering lines, subsea infrastructure and floating production systems and transportation costs may prevent such discoveries or prospects from being economically viable, and approval of PoDs by various regulatory authorities, a necessary step in order to develop a commercial discovery, may not be forthcoming. Additionally, the analogies drawn by us using available data from other wells, more fully explored discoveries or producing fields may not prove valid with respect to our drilling prospects. We may terminate our drilling program for a discovery or prospect if data, information, studies and previous reports indicate that the possible development of a discovery or prospect is not commercially viable and, therefore, does not merit further investment. If a significant number of our discoveries or prospects do not prove to be successful, our business, financial condition and results of operations will be materially adversely affected.

The deepwater offshore Ghana, an area in which we focus a substantial amount of our development efforts, has only recently been considered economically viable for hydrocarbon production due to the costs and difficulties involved in drilling for oil at such depths and the relatively recent discovery of commercial quantities of oil in the region. Likewise, our deepwater offshore Cote d'Ivoire, Equatorial Guinea, Mauritania, Morocco, Sao Tome and Principe, Senegal, and Suriname licenses have not yet proved to be economically viable production areas. We have limited proved reserves, and we may not be successful in developing additional commercially viable production from our other discoveries and prospects.

We face substantial uncertainties in estimating the characteristics of our unappraised discoveries and our prospects.

In this report we provide numerical and other measures of the characteristics of our discoveries and prospects. These measures may be incorrect, as the accuracy of these measures is a function of available data, geological interpretation and judgment. To date, a limited number of our prospects have been drilled. Any analogies drawn by us from other wells, discoveries or producing fields may not prove to be accurate indicators of the success of developing proved reserves from our discoveries and prospects. Furthermore, we have no way of evaluating the accuracy of the data from analog wells or prospects produced by other parties which we may use.

It is possible that few or none of our wells to be drilled will find accumulations of hydrocarbons in commercial quality or quantity. Any significant variance between actual results and our assumptions could materially affect the quantities of hydrocarbons attributable to any particular prospect.

Drilling wells is speculative, often involving significant costs that may be more than we estimate, and may not result in any discoveries or additions to our future production or reserves. Any material inaccuracies in drilling costs, estimates or underlying assumptions will materially affect our business.

Exploring for and developing hydrocarbon reserves involves a high degree of technical, operational and financial risk, which precludes definitive statements as to the time required and costs involved in reaching certain objectives. The budgeted costs of planning, drilling, completing and operating wells are often exceeded and can increase significantly when drilling costs rise due to a tightening in the supply of various types of oilfield equipment and related services or unanticipated geologic conditions.

Before a well is spud, we incur significant geological and geophysical (seismic) costs, which are incurred whether or not a well eventually produces commercial quantities of hydrocarbons or is drilled at all. Drilling may be unsuccessful for many reasons, including geologic conditions, weather, cost overruns, equipment shortages and mechanical difficulties or force majeure events. Exploratory wells bear a much greater risk of loss than development wells. In the past we have experienced unsuccessful drilling efforts, having drilled dry holes. Furthermore, the successful drilling of a well does not necessarily result in the commercially viable development of a field or be indicative of the potential for the development of a commercially viable field. A variety of factors, including geologic and market-related, can cause a field to become uneconomic or only marginally economic. A lack of drilling opportunities or projects that cease production may cause us to incur significant costs associated with an idle rig and/or related services, particularly if we cannot contract out rig slots to other parties. Many of our prospects that may be developed require significant additional exploration, appraisal and development, regulatory approval and commitments of resources prior to commercial development. In addition, a successful discovery would require significant capital expenditure in order to develop and produce oil and natural gas, even if we deemed such discovery to be commercially viable. See "—Our business plan requires substantial additional capital, which we may be unable to raise on acceptable terms or at all in the future, which may in turn limit our ability to develop our exploration, appraisal, development and production activities." In the areas in which we operate, we face higher above-ground risks necessitating higher expected returns, the requirement for increased capital expenditures due to a general lack of infrastructure and underdeveloped oil and gas industries, and increased transportation expenses due to geographic remoteness, which either require a single well to be exceptionally productive, or the existence of multiple successful wells, to allow for the development of a commercially viable field. See "—Our operations may be adversely affected by political and economic circumstances in the countries in which we operate." Furthermore, if our actual drilling and development costs are significantly more than our estimated costs, we may not be able to continue our business operations as proposed and could be forced to modify our plan of operation.

Development drilling may not result in commercially productive quantities of oil and gas reserves.

Our exploration success has provided us with major development projects on which we are moving forward, and any future exploration discoveries will also require significant development efforts to bring to production. We must successfully execute our development projects, including development drilling, in order to generate future production and cash flow. However, development drilling is not always successful and the profitability of development projects may change over time.

For example, in new development projects available data may not allow us to completely know the extent of the reservoir or choose the best locations for drilling development wells. A development well we drill may be a dry hole or result in noncommercial quantities of hydrocarbons. All costs of development drilling and other development activities are capitalized, even if the activities do not result in commercially productive quantities of hydrocarbon reserves. This puts a property at higher risk for future impairment if commodity prices decrease or operating or development costs increase.

Our identified drilling locations are scheduled out over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.

Our management team has identified and scheduled drilling locations on our license areas over a multi-year period. Our ability to drill and develop these locations depends on a number of factors, including the availability of equipment and capital, approval by block partners and regulators, seasonal conditions, oil prices, assessment of risks, costs and drilling results. The final determination on whether to drill any of these locations will be dependent upon the factors described elsewhere in this report as well as, to some degree, the results of our drilling activities with respect to our established drilling locations. Because of these uncertainties, we do not know if the drilling locations we have identified will be drilled within our expected timeframe or at all or if we will be able to economically produce hydrocarbons from these or any other potential drilling locations. As such, our actual drilling activities may be materially different from our current expectations, which could adversely affect our results of operations and financial condition.

A substantial or extended decline in both global and local oil and natural gas prices may adversely affect our business, financial condition and results of operations.

The prices that we will receive for our oil and natural gas will significantly affect our revenue, profitability, access to capital and future growth rate. Historically, the oil and natural gas markets have been volatile and will likely continue to be volatile in the future. Oil prices experienced significant and sustained declines in the past few years and will likely continue to be volatile in the future. The prices that we will receive for our production and the levels of our production depend on numerous factors. These factors include, but are not limited to, the following:

- changes in supply and demand for oil and natural gas;

- the actions of the Organization of the Petroleum Exporting Countries;
- speculation as to the future price of oil and natural gas and the speculative trading of oil and natural gas futures contracts;
- global economic conditions;
- political and economic conditions, including embargoes in oil-producing countries or affecting other oil-producing activities, particularly in the Middle East, Africa, Russia and Central and South America;
- the continued threat of terrorism and the impact of military and other action, including U.S. military operations in the Middle East;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil inventories and oil refining capacities;
- weather conditions and natural or man-made disasters;
- technological advances affecting energy consumption;
- governmental regulations and taxation policies;
- proximity and capacity of transportation facilities;
- the development and exploitation of alternative fuels or energy sources;
- the price and availability of competitors' supplies of oil and natural gas; and
- the price, availability or mandated use of alternative fuels or energy sources.

Lower oil prices may not only reduce our revenues but also may limit the amount of oil that we can produce economically. A substantial or extended decline in oil and natural gas prices may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures.

Under the terms of our various petroleum contracts, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to drill these wells or declare any discoveries may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects.

In order to protect our exploration and production rights in our license areas, we must meet various drilling and declaration requirements. In general, unless we make and declare discoveries within certain time periods specified in our various petroleum agreements and licenses, our interests in the undeveloped parts of our license areas may lapse. Should the prospects yield discoveries, we cannot assure you that we will not face delays in the appraisal and development of these prospects or otherwise have to relinquish these prospects. The costs to maintain petroleum contracts over such areas may fluctuate and may increase significantly since the original term, and we may not be able to renew or extend such petroleum contracts on commercially reasonable terms or at all. Our actual drilling activities may therefore materially differ from our current expectations, which could adversely affect our business.

Under these petroleum contracts, we have work commitments to perform exploration and other related activities. Failure to do so may result in our loss of the licenses. As of December 31, 2017, we have unfulfilled drilling obligations in one of our Mauritania petroleum contracts. In certain other petroleum contracts, we are in the initial exploration phase, some of which have certain obligations that have yet to be fulfilled. Over the course of the next several years, we may choose to enter into the next phase of those petroleum contracts which will likely include firm obligations to drill wells. Failure to execute our obligations may result in our loss of the licenses.

The Exploration Period of each of the WCTP and DT petroleum contracts has expired. Pursuant to the terms of such petroleum contracts, while we and our respective block partners have certain rights to negotiate new petroleum contracts with respect to the WCTP Relinquishment Area and DT Relinquishment Area, we cannot assure you that we will determine to enter any such new petroleum contracts. For each of our petroleum contracts, we cannot assure you that any renewals or extensions will be granted or whether any new agreements will be available on commercially reasonable terms, or, in some cases, at all. For

additional detail regarding the status of our operations with respect to our various petroleum contracts, please see "Item 1. Business—Operations by Geographic Area."

The inability of one or more third parties who contract with us to meet their obligations to us may adversely affect our financial results.

We may be liable for certain costs if third parties who contract with us are unable to meet their commitments under such agreements. We are currently exposed to credit risk through joint interest receivables from our block and/or unit partners. If any of our partners in the blocks or unit in which we hold interests are unable to fund their share of the exploration and development expenses, we may be liable for such costs. In the past, certain of our WCTP and DT Block partners have not paid their share of block costs in the time frame required by the joint operating agreements for these blocks. This has resulted in such party being in default, which in return requires Kosmos and its non-defaulting block partners to pay their proportionate share of the defaulting party's costs during the default period. Should a default not be cured, Kosmos could be required to pay its share of the defaulting party's costs going forward.

In addition, we contract with third parties to conduct drilling and related services on our development projects and exploration prospects. Such third parties may not perform the services they provide us on schedule or within budget. Furthermore, the drilling equipment, facilities and infrastructure owned and operated by the third parties we contract with is highly complex and subject to malfunction and breakdown. Any malfunctions or breakdowns may be outside our control and result in delays, which could be substantial. Any delays in our drilling campaign caused by equipment, facility or equipment malfunction or breakdown could materially increase our costs of drilling and cause an adverse effect on our business, financial position and results of operations.

Our principal exposure to credit risk will be through receivables resulting from the sale of our oil, which we currently sell to an energy marketing company, and to cover our commodity derivatives contracts. The inability or failure of our significant customers or counterparties to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. In addition, our oil and natural gas derivative arrangements expose us to credit risk in the event of nonperformance by counterparties. Joint interest receivables arise from our block partners. The inability or failure of third parties we contract with to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. We are unable to predict sudden changes in creditworthiness or ability to perform. Even if we do accurately predict sudden changes, our ability to negate the risk may be limited and we could incur significant financial losses.

The unit partners' respective interests in the Jubilee Unit are subject to redetermination and our interests in such unit may decrease as a result.

The interests in and development of the Jubilee Field are governed by the terms of the UUOA. The parties to the UUOA, the collective interest holders in each of the WCTP and DT Blocks, initially agreed that interests in the Jubilee Unit will be shared equally, with each block deemed to contribute 50% of the area of such unit. The respective interests in the Jubilee Unit were therefore initially determined by the respective interests in such contributed block interests. Pursuant to the terms of the UUOA, the percentage of such contributed interests is subject to a process of redetermination once sufficient development work has been completed in the unit. The initial redetermination process was completed on October 14, 2011. As a result of the initial redetermination process, the tract participation was determined to be 54.4% for the WCTP Block and 45.6% for the DT Block. Our Unit Interest (participating interest in the Jubilee Unit) was increased from 23.5% to 24.1%. An additional redetermination could occur sometime if requested by a party that holds greater than a 10% interest in the Jubilee Unit. We cannot assure you that any redetermination pursuant to the terms of the UUOA will not negatively affect our interests in the Jubilee Unit or that such redetermination will be satisfactorily resolved.

We are not, and may not be in the future, the operator on all of our license areas and do not, and may not in the future, hold all of the working interests in certain of our license areas. Therefore, we have reduced control over the timing of exploration or development efforts, associated costs, and the rate of production of any non-operated and to an extent, any non-wholly owned, assets.

As we carry out our exploration and development programs, we have arrangements with respect to existing license areas and may have agreements with respect to future license areas that result in a greater proportion of our license areas being operated by others. Currently, we are not the operator of the Jubilee Unit, the TEN fields or Ceiba and Okume and do not hold operatorship in other offshore blocks. In addition, our agreements with BP and Chevron contemplate that operatorship will be transitioned fully to these companies in our Cote d'Ivoire (BP) and Suriname (Chevron) acreage upon a commercial discovery. As a result, we may have limited ability to exercise influence over the operations of the discoveries or prospects operated by our block or unit partners, or which are not wholly owned by us, as the case may be. Dependence on block or unit partners could prevent us from realizing our target returns for those discoveries or prospects. Further, because we do not have majority ownership in all of our properties,

we may not be able to control the timing, or the scope, of exploration or development activities or the amount of capital expenditures and, therefore, may not be able to carry out one of our key business strategies of minimizing the cycle time between discovery and initial production. The success and timing of exploration and development activities will depend on a number of factors that will be largely outside of our control, including:

- the timing and amount of capital expenditures;
- if the activity is operated by one of our block partners, the operator's expertise and financial resources;
- approval of other block partners in drilling wells;
- the scheduling, pre-design, planning, design and approvals of activities and processes;
- selection of technology; and
- the rate of production of reserves, if any.

This limited ability to exercise control over the operations on our license areas may cause a material adverse effect on our financial condition and results of operations.

Our estimated proved reserves are based on many assumptions that may turn out to be inaccurate. Any significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

The process of estimating oil and natural gas reserves is technically complex. It requires interpretations of available technical data and many assumptions, including those relating to current and future economic conditions and commodity prices. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves shown in this report. See "Item 1. Business—Our Reserves" for information about our estimated oil and natural gas reserves and the present value of our net revenues at a 10% discount rate ("PV-10") and Standardized Measure of discounted future net revenues (as defined herein) as of December 31, 2017.

In order to prepare our estimates, we must project production rates and the timing of development expenditures. We must also analyze available geological, geophysical, production and engineering data. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of reserves shown in this report. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing oil and natural gas prices and other factors, many of which are beyond our control.

The present value of future net revenues from our proved reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves.

You should not assume that the present value of future net revenues from our proved reserves is the current market value of our estimated oil and natural gas reserves. In accordance with the SEC requirements, we have based the estimated discounted future net revenues from our proved reserves on the 12-month unweighted arithmetic average of the first-day-of-the-month price for the preceding twelve months, adjusted for an anticipated market premium, without giving effect to derivative transactions. Actual future net revenues from our oil and natural gas assets will be affected by factors such as:

- actual prices we receive for oil and natural gas;
- actual cost of development and production expenditures;
- derivative transactions;
- the amount and timing of actual production; and
- changes in governmental regulations or taxation.

The timing of both our production and our incurrence of expenses in connection with the development and production of oil and natural gas assets will affect the timing and amount of actual future net revenues from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating discounted future net revenues may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and gas industry in general.

Actual future prices and costs may differ materially from those used in the present value estimates included in this report. If oil prices decline by $1.00 per Bbl from prices used in calculating such estimates, then the PV-10 and the Standardized Measure as of December 31, 2017 would each decrease by approximately $33.9 million. Oil prices have recently experienced significant volatility. See "Item 1. Business—Our Reserves."

We are dependent on certain members of our management and technical team.

Our performance and success largely depend on the ability, expertise, judgment and discretion of our management and the ability of our technical team to identify, discover, evaluate and develop reserves. The loss or departure of one or more members of our management and technical team could be detrimental to our future success. Additionally, a significant amount of shares in Kosmos held by members of our management and technical team has vested. There can be no assurance that our management and technical team will remain in place. If any of these officers or other key personnel resigns or becomes unable to continue in their present roles and is not adequately replaced, our results of operations and financial condition could be materially adversely affected. Our ability to manage our growth, if any, will require us to continue to train, motivate and manage our employees and to attract, motivate and retain additional qualified personnel. Competition for these types of personnel is intense, and we may not be successful in attracting, assimilating and retaining the personnel required to grow and operate our business profitably.

Our business plan requires substantial additional capital, which we may be unable to raise on acceptable terms or at all in the future, which may in turn limit our ability to develop our exploration, appraisal, development and production activities.

We expect our capital outlays and operating expenditures to be substantial as we expand our operations. Obtaining seismic data, as well as exploration, appraisal, development and production activities entail considerable costs, and we may need to raise substantial additional capital through additional debt financing, strategic alliances or future private or public equity offerings if our cash flows from operations, or the timing of, are not sufficient to cover such costs.

Our future capital requirements will depend on many factors, including:

- the scope, rate of progress and cost of our exploration, appraisal, development and production activities;
- the success of our exploration, appraisal, development and production activities;
- oil and natural gas prices;
- our ability to locate and acquire hydrocarbon reserves;
- our ability to produce oil or natural gas from those reserves;
- the terms and timing of any drilling and other production-related arrangements that we may enter into;
- the cost and timing of governmental approvals and/or concessions; and
- the effects of competition by larger companies operating in the oil and gas industry.

We do not currently have any commitments for future external funding beyond the capacity of our commercial debt facility and revolving credit facility. Additional financing may not be available on favorable terms, or at all. Even if we succeed in selling additional equity securities to raise funds, at such time the ownership percentage of our existing shareholders would be diluted, and new investors may demand rights, preferences or privileges senior to those of existing shareholders. If we raise additional capital through debt financing, the financing may involve covenants that restrict our business activities. If we choose to farm-out interests in our licenses, we would dilute our ownership interest subject to the farm-out and any potential value resulting therefrom, and may lose operating control or influence over such license areas.

Assuming we are able to commence exploration, appraisal, development and production activities or successfully exploit our licenses during the exploratory term, our interests in our licenses (or the development/production area of such licenses as they existed at that time, as applicable) could extend beyond the term set for the exploratory phase of the license to a fixed period or life of production, depending on the jurisdiction. If we are unable to meet our well commitments and/or declare commerciality of

the prospective areas of our licenses during this time, we may be subject to significant potential forfeiture of all or part of the relevant license interests. If we are not successful in raising additional capital, we may be unable to continue our exploration and production activities or successfully exploit our license areas, and we may lose the rights to develop these areas. See "—Under the terms of our various license agreements, we are contractually obligated to drill wells and declare any discoveries in order to retain exploration and production rights. In the competitive market for our license areas, failure to declare any discoveries and thereby establish development areas may result in substantial license renewal costs or loss of our interests in the undeveloped parts of our license areas, which may include certain of our prospects."

All of our proved reserves, oil production and cash flows from operations are currently associated with our licenses offshore Ghana and Equatorial Guinea. Should any event occur which adversely affects such proved reserves, oil production and cash flows from these licenses, including, without limitation, any event resulting from the risks and uncertainties outlined in this "Risk Factors" section, our business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures may be materially and adversely affected.

We may be required to take write-downs of the carrying values of our oil and natural gas assets as a result of decreases in oil and natural gas prices, and such decreases could result in reduced availability under our corporate revolver and commercial debt facility.

We capitalize costs to acquire, find and develop our oil and natural gas properties under the successful efforts accounting method. Under such method, we are required to perform impairment tests on our assets periodically and whenever events or changes in circumstances warrant a review of our assets. Based on specific market factors and circumstances at the time of prospective impairment reviews, and the continuing evaluation of appraisal and development plans, production data, oil and natural gas prices, economics and other factors, we may be required to write down the carrying value of our oil and natural gas assets. A write-down constitutes a non-cash charge to earnings. As a result of the recent drop in oil and natural gas prices, we may incur future write-downs and charges should prices remain at low levels.

In addition, our borrowing base under the commercial debt facility is subject to periodic redeterminations. We could be forced to repay a portion of our borrowings under the commercial debt facility due to redeterminations of our borrowing base. Redeterminations may occur as a result of a variety of factors, including oil and natural gas commodity price assumptions, assumptions regarding future production from our oil and natural gas assets, operating costs and tax burdens or assumptions concerning our future holdings of proved reserves. If we are forced to do so, we may not have sufficient funds to make such repayments. If we do not have sufficient funds and are otherwise unable to negotiate renewals of our borrowings or arrange new financing, we may have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results.

We may not be able to commercialize our interests in any natural gas produced from our license areas.

The development of the market for natural gas in our license areas is in its early stages. Currently the infrastructure to transport and process natural gas on commercial terms is limited and the expenses associated with constructing such infrastructure ourselves may not be commercially viable given local prices currently paid for natural gas. Accordingly, there may be limited or no value derived from any natural gas produced from our license areas.

In Ghana, we currently produce associated gas from the Jubilee and TEN fields. A gas pipeline from the Jubilee Field has been constructed to transport such natural gas for processing and sale. However, we granted the Government of Ghana the first 200 Bcf of natural gas exported from the Jubilee Field to shore at zero cost. Through December 31, 2017, the Jubilee partners have provided approximately 78 Bcf from the Jubilee Field to Ghana. Thus, in Ghana, it is forecasted to be a few years before we are able to commercialize the Jubilee Field natural gas. We do not currently book proved gas reserves associated with natural gas sales from the Jubilee Field in Ghana. However, we expect to book gas reserves upon finalization and execution of a gas sales agreement for such Jubilee Field natural gas that will have a price associated with it. A gas pipeline from the TEN fields to the Jubilee Field was completed in the first quarter of 2017 to transport associated natural gas as well as non-associated natural gas for processing and sale. We finalized the TAG GSA , and as a result, we booked proved gas reserves for the associated natural gas from the TEN fields in Ghana. If and when a gas sales agreement and the related infrastructure are in place for the TEN fields non-associated gas, a portion of the remaining gas may be recognized as reserves.

In Mauritania and Senegal, we plan to export the majority of our gas resource to the liquefied natural gas ("LNG") market. However, that plan is contingent on making a final investment decision on our gas discoveries and constructing the necessary infrastructure to produce, liquefy and transport the gas to the market as well as finding an LNG purchaser. Additionally, such plans are contingent upon receipt of required partner and government approvals.

Our inability to access appropriate equipment and infrastructure in a timely manner may hinder our access to oil and natural gas markets or delay our oil and natural gas production.

Our ability to market our oil and natural gas production will depend substantially on the availability and capacity of processing facilities, oil and LNG tankers and other infrastructure, including FPSOs, owned and operated by third parties. Our failure to obtain such facilities on acceptable terms could materially harm our business. We also rely on continuing access to drilling rigs suitable for the environment in which we operate. The delivery of drilling rigs may be delayed or cancelled, and we may not be able to gain continued access to suitable rigs in the future. We may be required to shut in oil and natural gas wells because of the absence of a market or because access to processing facilities may be limited or unavailable. If that were to occur, then we would be unable to realize revenue from those wells until arrangements were made to deliver the production to market, which could cause a material adverse effect on our financial condition and results of operations. In addition, the shutting in of wells can lead to mechanical problems upon bringing the production back on line, potentially resulting in decreased production and increased remediation costs.

Additionally, the future exploitation and sale of associated and non-associated natural gas and liquids and LNG will be subject to timely commercial processing and marketing of these products, which depends on the contracting, financing, building and operating of infrastructure by third parties. The Government of Ghana completed the construction and connection of a gas pipeline from the Jubilee Field and the pipeline between the Jubilee and TEN fields to transport such natural gas to the mainland for processing and sale was completed in the first quarter of 2017. However, the uptime of the facility in future periods is not known. In the absence of the continuous removal of large quantities of natural gas it is anticipated that we will either need to flare such natural gas in order to maintain crude oil production or reduce crude oil production. Currently, we have not been issued an amended permit from the Ghana EPA to flare natural gas produced from the Jubilee Field in substantial quantities. If we are unable to resolve potential issues related to the continuous removal of associated natural gas in large quantities, our oil production will be negatively impacted.

We are subject to numerous risks inherent to the exploration and production of oil and natural gas.

Oil and natural gas exploration and production activities involve many risks that a combination of experience, knowledge and interpretation may not be able to overcome. Our future will depend on the success of our exploration and production activities and on the development of an infrastructure that will allow us to take advantage of our discoveries. Additionally, many of our license areas are located in deepwater, which generally increases the capital and operating costs, chances of delay, planning time, technical challenges and risks associated with oil and natural gas exploration and production activities. See "— Our offshore and deepwater operations involve special risks that could adversely affect our results of operation." As a result, our oil and natural gas exploration and production activities are subject to numerous risks, including the risk that drilling will not result in commercially viable oil and natural gas production. Our decisions to purchase, explore or develop discoveries, prospects or licenses will depend in part on the evaluation of seismic data through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations.

Furthermore, the marketability of expected oil and natural gas production from our discoveries and prospects will also be affected by numerous factors. These factors include, but are not limited to, market fluctuations of prices (such as recent significant declines in oil and natural gas prices), proximity, capacity and availability of drilling rigs and related equipment, qualified personnel and support vessels, processing facilities, transportation vehicles and pipelines, equipment availability, access to markets and government regulations (including, without limitation, regulations relating to prices, taxes, royalties, allowable production, domestic supply requirements, importing and exporting of oil and natural gas, the ability to flare or vent natural gas, health and safety matters, environmental protection and climate change). The effect of these factors, individually or jointly, may result in us not receiving an adequate return on invested capital.

In the event that our currently undeveloped discoveries and prospects are developed and become operational, they may not produce oil and natural gas in commercial quantities or at the costs anticipated, and our projects may cease production, in part or entirely, in certain circumstances. Discoveries may become uneconomic as a result of an increase in operating costs to produce oil and natural gas. Our actual operating costs and rates of production may differ materially from our current estimates. Moreover, it is possible that other developments, such as increasingly strict environmental, climate change, health and safety laws and regulations and enforcement policies thereunder and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities, delays, an inability to complete the development of our discoveries or the abandonment of such discoveries, which could cause a material adverse effect on our financial condition and results of operations.

We are subject to drilling and other operational and environmental risks and hazards.

The oil and natural gas business involves a variety of risks, including, but not limited to:

- fires, blowouts, spills, cratering and explosions;
- mechanical and equipment problems, including unforeseen engineering complications. For example, following a February 2016 inspection of the turret area of the Jubilee field FPSO, by SOFEC, Inc., the original turret manufacturer, a potential issue was identified with the turret bearing. As a precautionary measure, additional operating procedures to monitor the turret bearing and reduce the degree of rotation of the vessel have been put in place until this situation has been remediated;
- uncontrolled flows or leaks of oil, well fluids, natural gas, brine, toxic gas or other pollutants or hazardous materials;
- gas flaring operations;
- marine hazards with respect to offshore operations;
- formations with abnormal pressures;
- pollution, environmental risks, and geological problems; and
- weather conditions and natural or man-made disasters.

These risks are particularly acute in deepwater drilling and exploration. Any of these events could result in loss of human life, significant damage to property, environmental or natural resource damage, impairment, delay or cessation of our operations, lower production rates, adverse publicity, substantial losses and civil or criminal liability. We expect to maintain insurance against some, but not all, of these risks and losses. The occurrence of any of these events, whether or not covered by insurance, could have a material adverse effect on our financial position and results of operations.

The development schedule of oil and natural gas projects, including the availability and cost of drilling rigs, equipment, supplies, personnel and oilfield services, is subject to delays and cost overruns.

Historically, some oil and natural gas development projects have experienced delays and capital cost increases and overruns due to, among other factors, the unavailability or high cost of drilling rigs and other essential equipment, supplies, personnel and oilfield services, as well as mechanical and technical issues. The cost to develop our projects has not been fixed and remains dependent upon a number of factors, including the completion of detailed cost estimates and final engineering, contracting and procurement costs. Our construction and operation schedules may not proceed as planned and may experience delays or cost overruns. Any delays may increase the costs of the projects, requiring additional capital, and such capital may not be available in a timely and cost-effective fashion.

Our offshore and deepwater operations involve special risks that could adversely affect our results of operations.

Offshore operations are subject to a variety of operating risks specific to the marine environment, such as capsizing, sinking, collisions and damage or loss to pipeline, subsea or other facilities or from weather conditions. We could incur substantial expenses that could reduce or eliminate the funds available for exploration, development or license acquisitions, or result in loss of equipment and license interests.

Deepwater exploration generally involves greater operational and financial risks than exploration in shallower waters. Deepwater drilling generally requires more time and more advanced drilling technologies, involving a higher risk of equipment failure and usually higher drilling costs. In addition, there may be production risks of which we are currently unaware. If we participate in the development of new subsea infrastructure and use floating production systems to transport oil from producing wells, these operations may require substantial time for installation or encounter mechanical difficulties and equipment failures that could result in loss of production, significant liabilities, cost overruns or delays. For example, we have experienced mechanical issues in the Jubilee Field, including failures of its gas and water injection facilities on the FPSO, and are currently working to remediate the turret bearing issue on the FPSO. This resulted in the need to implement new operating and offloading procedures, including the use of tug boats for heading control and a dynamically positioned (“DP”) shuttle tanker and storage vessel for offloading. The equipment downtime caused by these mechanical issues negatively impacted oil production during the year.

In addition, Kosmos and its Jubilee partners determined that the risers of the FPSO have experienced increased levels of stress compared to their original design basis, which may cause these risers to suffer operational fatigue earlier than originally anticipated. The Jubilee partnership is currently assessing the condition of the risers and, if required, plans for remediation work of this riser issue which may include instrumentation of the risers to assess further operational fatigue or replacement of all or a part of one or more risers. Such remediation efforts may negatively impact oil production, and/or result in additional expenses.

Furthermore, deepwater operations generally, and operations in Africa and South America, in particular, lack the physical and oilfield service infrastructure present in other regions. As a result, a significant amount of time may elapse between a deepwater discovery and the marketing of the associated oil and natural gas, increasing both the financial and operational risks involved with these operations. Because of the lack and high cost of this infrastructure, further discoveries we may make in Africa and South America may never be economically producible.

In addition, in the event of a well control incident, containment and, potentially, cleanup activities for offshore drilling are costly. The resulting regulatory costs or penalties, and the results of third party lawsuits, as well as associated legal and support expenses, including costs to address negative publicity, could well exceed the actual costs of containment and cleanup. As a result, a well control incident could result in substantial liabilities, and have a significant negative impact on our earnings, cash flows, liquidity, financial position, and stock price.

We have had disagreements with the Republic of Ghana and the Ghana National Petroleum Corporation regarding certain of our rights and responsibilities under the WCTP and DT Petroleum Agreements.

Multiple discovered fields and a significant portion of our proved reserves are located offshore Ghana. The WCTP petroleum contract, the DT petroleum contract and the UUOA cover the two blocks and the Jubilee and TEN fields that form the basis of our current operations in Ghana. Pursuant to these petroleum contracts, most significant decisions, including our plans for development and annual work programs, must be approved by GNPC, the Petroleum Commission and/or Ghana's Ministry of Energy. We have previously had disagreements with the Ministry of Energy and GNPC regarding certain of our rights and responsibilities under these petroleum contracts, the 1984 Ghanaian Petroleum Law and the Internal Revenue Act, 2000 (Act 592) (the "Ghanaian Tax Law"). These included disagreements over sharing information with prospective purchasers of our interests, pledging our interests to finance our development activities, potential liabilities arising from discharges of small quantities of drilling fluids into Ghanaian territorial waters, the failure to approve the proposed sale of our Ghanaian assets, assertions that could be read to give rise to taxes payable under the Ghanaian Tax Law, failure to approve PoDs relating to certain discoveries offshore Ghana and the relinquishment of certain exploration areas on our licensed blocks offshore Ghana. The resolution of certain of these disagreements required us to pay agreed settlement costs to GNPC and/or the government of Ghana.

There can be no assurance that future disagreements will not arise with any host government and/or national oil companies that may have a material adverse effect on our exploration or development activities, our ability to operate, our rights under our licenses and local laws or our rights to monetize our interests.

The geographic locations of our licenses in Africa and South America subject us to an increased risk of loss of revenue or curtailment of production from factors specifically affecting those areas.

Our current exploration licenses are located in Africa and South America. Some or all of these licenses could be affected should any region experience any of the following factors (among others):

- severe weather, natural or man-made disasters or acts of God;
- delays or decreases in production, the availability of equipment, facilities, personnel or services;
- delays or decreases in the availability of capacity to transport, gather or process production;
- military conflicts, civil unrest or political strife; and/or
- international border disputes.

For example, oil and natural gas operations in our license areas in Africa and South America may be subject to higher political and security risks than those operations under the sovereignty of the United States. We plan to maintain insurance coverage for only a portion of the risks we face from doing business in these regions. There also may be certain risks covered by insurance where the policy does not reimburse us for all of the costs related to a loss.

Further, as many of our licenses are concentrated in the same geographic area, a number of our licenses could experience the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of licenses.

Our operations may be adversely affected by political and economic circumstances in the countries in which we operate.

Oil and natural gas exploration, development and production activities are subject to political and economic uncertainties (including but not limited to changes in energy policies or the personnel administering them), changes in laws and policies governing operations of foreign-based companies, expropriation of property, cancellation or modification of contract rights, revocation of consents or approvals, obtaining various approvals from regulators, foreign exchange restrictions, currency fluctuations, royalty increases and other risks arising out of foreign governmental sovereignty, as well as risks of loss due to civil strife, acts of war, guerrilla activities, terrorism, acts of sabotage, territorial disputes and insurrection. In addition, we are subject both to uncertainties in the application of the tax laws in the countries in which we operate and to possible changes in such tax laws (or the application thereof), each of which could result in an increase in our tax liabilities. These risks may be higher in the developing countries in which we conduct a majority of our activities, as it is the case in Ghana, where the Ghanaian Revenue Authority (the "GRA") has disputed certain tax deductions we have claimed in prior fiscal years' Ghanaian tax returns as non-allowable under the terms of the Ghanaian Petroleum Income Tax Law, as well as non-payment of certain transactional taxes.

Our operations in these areas increase our exposure to risks of war, local economic conditions, political disruption, civil disturbance, expropriation, piracy, tribal conflicts and governmental policies that may:

- disrupt our operations;
- require us to incur greater costs for security;
- restrict the movement of funds or limit repatriation of profits;
- lead to U.S. government or international sanctions; or
- limit access to markets for periods of time.

Some countries in the geographic areas where we operate have experienced political instability in the past or are currently experiencing instability. Disruptions may occur in the future, and losses caused by these disruptions may occur that will not be covered by insurance. Consequently, our exploration, development and production activities may be substantially affected by factors which could have a material adverse effect on our results of operations and financial condition. Furthermore, in the event of a dispute arising from non-U.S. operations, we may be subject to the exclusive jurisdiction of courts outside the United States or may not be successful in subjecting non-U.S. persons to the jurisdiction of courts in the United States or international arbitration, which could adversely affect the outcome of such dispute.

Our operations may also be adversely affected by laws and policies of the jurisdictions, including the jurisdictions where our oil and gas operating activities are located as well as the United States, the United Kingdom, Bermuda and the Cayman Islands and other jurisdictions in which we do business, that affect foreign trade and taxation. Changes in any of these laws or policies or the implementation thereof could materially and adversely affect our financial position, results of operations and cash flows.

The oil and gas industry, including the acquisition of exploratory licenses, is intensely competitive and many of our competitors possess and employ substantially greater resources than us.

The international oil and gas industry is highly competitive in all aspects, including the exploration for, and the development of, new license areas. We operate in a highly competitive environment for acquiring exploratory licenses and hiring and retaining trained personnel. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than us, which can be particularly important in the areas in which we operate. These companies may be better able to withstand the financial pressures of unsuccessful drilling efforts, sustained periods of volatility in financial markets and generally adverse global and industry-wide economic conditions, and may be better able to absorb the burdens resulting from changes in relevant laws and regulations, which could adversely affect our competitive position. Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable licenses and to consummate transactions in a highly competitive environment. Also, there is substantial competition for available capital for investment in the oil and gas industry. As a result of these and other factors, we may not be able to compete successfully in an intensely competitive industry, which could cause a material adverse effect on our results of operations and financial condition.

Participants in the oil and gas industry are subject to numerous laws, regulations, and other legislative instruments that can affect the cost, manner or feasibility of doing business.

Exploration and production activities in the oil and gas industry are subject to local laws and regulations. We may be required to make large expenditures to comply with governmental laws and regulations, particularly in respect of the following matters:

- licenses for drilling operations;
- tax increases, including retroactive claims;
- unitization of oil accumulations;
- local content requirements (including the mandatory use of local partners and vendors); and
- safety, health and environmental requirements, liabilities and obligations, including those related to remediation, investigation or permitting.

Under these and other laws and regulations, we could be liable for personal injuries, property damage and other types of damages. Failure to comply with these laws and regulations also may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws and regulations could change, or their interpretations could change, in ways that could substantially increase our costs. These risks may be higher in the developing countries in which we conduct a majority of our operations, where there could be a lack of clarity or lack of consistency in the application of these laws and regulations. Any resulting liabilities, penalties, suspensions or terminations could have a material adverse effect on our financial condition and results of operations.

For example, Ghana's Parliament has enacted the Petroleum Revenue Management Act, the Petroleum Commission Act of 2011, and the 2016 Ghanaian Petroleum Law. There can be no assurance that these laws will not seek to retroactively, either on their face or as interpreted, modify the terms of the agreements governing our license interests in Ghana, including the WCTP and DT petroleum contracts and the UUOA, require governmental approval for transactions that effect a direct or indirect change of control of our license interests or otherwise affect our current and future operations in Ghana. Any such changes may have a material adverse effect on our business. We also cannot assure you that government approval will not be needed for direct or indirect transfers of our petroleum agreements or interests thereunder based on existing legislation.

We are subject to numerous health, safety and environmental laws and regulations which may result in material liabilities and costs.

We are subject to various international, foreign, federal, state and local health, safety and environmental laws and regulations governing, among other things, the emission and discharge of pollutants into the ground, air or water, the generation, storage, handling, use, transportation and disposal of regulated materials and the health and safety of our employees, contractors and communities in which our assets are located. We are required to obtain environmental permits from governmental authorities for our operations, including drilling permits for our wells. We have not been or may not be at all times in complete compliance with these permits and laws and regulations to which we are subject, and there is a risk such requirements could change in the future or become more stringent. If we violate or fail to comply with such requirements, we could be fined or otherwise sanctioned by regulators, including through the revocation of our permits or the suspension or termination of our operations. If we fail to obtain, maintain or renew permits in a timely manner or at all (due to opposition from partners, community or environmental interest groups, governmental delays or other reasons), or if we face additional requirements imposed as a result of changes in or enactment of laws or regulations, such failure to obtain, maintain or renew permits or such changes in or enactment of laws or regulations could impede or affect our operations, which could have a material adverse effect on our results of operations and financial condition.

We, as an interest owner or as the designated operator of certain of our past, current and future interests, discoveries and prospects, could be held liable for some or all health, safety and environmental costs and liabilities arising out of our actions and omissions as well as those of our block partners, third-party contractors, predecessors or other operators. To the extent we do not address these costs and liabilities or if we do not otherwise satisfy our obligations, our operations could be suspended or terminated. We have contracted with and intend to continue to hire third parties to perform services related to our operations. There is a risk that we may contract with third parties with unsatisfactory health, safety and environmental records or that our contractors may be unwilling or unable to cover any losses associated with their acts and omissions. Accordingly, we could be held liable for all costs and liabilities arising out of their acts or omissions, which could have a material adverse effect on our results of operations and financial condition.

We are not fully insured against all risks and our insurance may not cover any or all health, safety or environmental claims that might arise from our operations or at any of our license areas. If a significant accident or other event occurs and is not covered by insurance, such accident or event could have a material adverse effect on our results of operations and financial condition.

Releases of regulated substances may occur and can be significant. Under certain environmental laws, we could be held responsible for all of the costs relating to any contamination at our current or former facilities and at any third party waste disposal sites used by us or on our behalf. In addition, offshore oil and natural gas exploration and production involves various hazards, including human exposure to regulated substances, which include naturally occurring radioactive, and other materials. As such, we could be held liable for any and all consequences arising out of human exposure to such substances or for other damage resulting from the release of any regulated or otherwise hazardous substances to the environment, property or to natural resources, or affecting endangered species.

In addition, we expect continued and increasing attention to climate change issues and emissions of GHGs, including methane (a primary component of natural gas) and carbon dioxide (a byproduct of oil and natural gas combustion). For example, in April 2016, 195 nations, including Ghana, Mauritania, Morocco, Sao Tome and Principe, Senegal, Suriname and the U.S., signed and officially entered into an international climate change accord (the "Paris Agreement"). The Paris Agreement calls for signatory countries to set their own GHG emissions targets, make these emissions targets more stringent over time and be transparent about the GHG emissions reporting and the measures each country will use to achieve its GHG targets. A long-term goal of the Paris Agreement is to limit global temperature increase to well below two degrees Celsius from temperatures in the pre-industrial era. The Paris Agreement is in effect a successor to the Kyoto Protocol, an international treaty aimed at reducing emissions of GHGs, to which various countries and regions, including Ghana, Mauritania, Morocco, Sao Tome and Principe, Senegal and Suriname, are parties. The Kyoto Protocol has been extended by amendment until 2020. It cannot be determined at this time what effect the Paris Agreement, and any related GHG emissions targets, regulations or other requirements, will have on our business, results of operations and financial condition. It also cannot be determined what impact the U.S.'s announced withdrawal from the Paris Agreement will have on international climate change regulation. This regulatory uncertainty, however, could result in a disruption to our business or operations. The physical impacts of climate change in the areas in which our assets are located or in which we otherwise operate, including through increased severity and frequency of storms, floods and other weather events, could adversely impact our operations or disrupt transportation or other process-related services provided by our third-party contractors.

Health, safety and environmental laws are complex, change frequently and have tended to become increasingly stringent over time. Our costs of complying with current and future climate change, health, safety and environmental laws, the actions or omissions of our block partners and third party contractors and our liabilities arising from releases of, or exposure to, regulated substances may adversely affect our results of operations and financial condition. See "Item 1. Business—Environmental Matters" for more information.

We face various risks associated with increased activism against oil and gas exploration and development activities.

Opposition toward oil and gas drilling and development activity has been growing globally. Companies in the oil and gas industry are often the target of activist efforts from both individuals and non-governmental organizations regarding safety, human rights, climate change, environmental matters, sustainability, and business practices. Anti-development activists are working to, among other things, delay or cancel certain operations such as offshore drilling and development.

Future activist efforts could result in the following:

- delay or denial of drilling permits;
- shortening of lease terms or reduction in lease size;
- restrictions or delays on our ability to obtain additional seismic data;
- restrictions on installation or operation of gathering or processing facilities;
- restrictions on the use of certain operating practices;
- legal challenges or lawsuits;
- damaging publicity about us;
- increased regulation;

- increased costs of doing business;
- reduction in demand for our products; and
- other adverse effects on our ability to develop our properties.

Activism worldwide may increase if the Trump administration in the U.S. is perceived to be following, or actually follows, through on President Trump's campaign commitments to promote increased fossil fuel exploration and production in the U.S. Our need to incur costs associated with responding to these initiatives or complying with any resulting new legal or regulatory requirements resulting from these activities that are substantial and not adequately provided for, could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to liabilities under the U.S. Foreign Corrupt Practices Act and other anti-corruption laws, and any determination that we violated the U.S. Foreign Corrupt Practices Act or other such laws could have a material adverse effect on our business.

We are subject to the U.S. Foreign Corrupt Practices Act ("FCPA") and other laws that prohibit improper payments or offers of payments to foreign government officials and political parties for the purpose of obtaining or retaining business or otherwise securing an improper business advantage. In addition, the United Kingdom has enacted the Bribery Act of 2010, and we may be subject to that legislation under certain circumstances. We do business and may do additional business in the future in countries and regions in which we may face, directly or indirectly, corrupt demands by officials. We face the risk of unauthorized payments or offers of payments by one of our employees, contractors or consultants. Our existing safeguards and any future improvements may prove to be less than effective in preventing such unauthorized payments, and our employees and consultants may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the U.S. government may seek to hold us liable for successor liability for FCPA violations committed by companies in which we invest in (for example, by way of acquiring equity interests in, participating as a joint venture partner with, acquiring the assets of, or entering into certain commercial transactions with) or that we acquire.

Deterioration in the credit or equity markets could adversely affect us.

We have exposure to different counterparties. For example, we have entered or may enter into transactions with counterparties in the financial services industry, including commercial banks, investment banks, insurance companies, investment funds, and other institutions. These transactions expose us to credit risk in the event of default by our counterparty. Deterioration in the credit markets may impact the credit ratings of our current and potential counterparties and affect their ability to fulfill existing obligations to us and their willingness to enter into future transactions with us. We may have exposure to these financial institutions through any derivative transactions we have or may enter into. Moreover, to the extent that purchasers of our future production, if any, rely on access to the credit or equity markets to fund their operations, there is a risk that those purchasers could default in their contractual obligations to us if such purchasers were unable to access the credit or equity markets for an extended period of time.

We may incur substantial losses and become subject to liability claims as a result of future oil and natural gas operations, for which we may not have adequate insurance coverage.

We intend to maintain insurance against certain risks in the operation of the business we plan to develop and in amounts in which we believe to be reasonable. Such insurance, however, may contain exclusions and limitations on coverage or may not be available at a reasonable cost or at all. For example, we are not insured against political or terrorism risks. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition and results of operations. Further, even in instances where we maintain adequate insurance coverage, potential delays related to receipt of insurance proceeds as well as delays associated with the repair or rebuilding of damaged facilities could also materially and adversely affect our business, financial condition and results of operations.

We operate in a litigious environment.

Some of the jurisdictions within which we operate have proven to be litigious environments. Oil and gas companies, such as us, can be involved in various legal proceedings, such as title or contractual disputes, in the ordinary course of business.

From time to time, we may become involved in various legal and regulatory proceedings arising in the normal course of business. We cannot predict the occurrence or outcome of these proceedings with certainty, and if we are unsuccessful in these disputes and any loss exceeds our available insurance, this could have a material adverse effect on our results of operations.

Because we maintain a diversified portfolio of assets overseas, the complexity and types of legal procedures with which we may become involved may vary, and we could incur significant legal and support expenses in different jurisdictions. If we are not able to successfully defend ourselves, there could be a delay or even halt in our exploration, development or production activities or other business plans, resulting in a reduction in reserves, loss of production and reduced cash flows. Legal proceedings could result in a substantial liability and/or negative publicity about us and adversely affect the price of our common shares. In addition, legal proceedings distract management and other personnel from their primary responsibilities.

We face various risks associated with global populism.

Globally, certain individuals and organizations are attempting to focus public attention on income distribution, wealth distribution, and corporate taxation levels, and implement income and wealth redistribution policies. These efforts, if they gain political traction, could result in increased taxation on individuals and/or corporations, as well as, potentially, increased regulation on companies and financial institutions. Our need to incur costs associated with responding to these developments or complying with any resulting new legal or regulatory requirements, as well as any potential increased tax expense, could increase our costs of doing business, reduce our financial flexibility and otherwise have a material adverse effect on our business, financial condition and results of our operations.

Slower global economic growth rates may materially adversely impact our operating results and financial position.

The recovery from the global economic crisis of 2008 and resulting recession has been slow and uneven. Market volatility and reduced consumer demand have increased economic uncertainty, and the current global economic growth rate is slower than what was experienced in the decade preceding the crisis. Many developed countries are constrained by long term structural government budget deficits and international financial markets and credit rating agencies are pressing for budgetary reform and discipline. This need for fiscal discipline is balanced by calls for continuing government stimulus and social spending as a result of the impacts of the global economic crisis. As major countries implement government fiscal reform, such measures, if they are undertaken too rapidly, could further undermine economic recovery, reducing demand and slowing growth. Impacts of the crisis have spread to China and other emerging markets, which have fueled global economic development in recent years, slowing their growth rates, reducing demand, and resulting in further drag on the global economy.

Global economic growth drives demand for energy from all sources, including hydrocarbons. A lower future economic growth rate is likely to result in decreased demand growth for our crude oil and natural gas production. A decrease in demand, notwithstanding impacts from other factors, could potentially result in lower commodity prices, which would reduce our cash flows from operations, our profitability and our liquidity and financial position.

Increased costs of capital could adversely affect our business.

Our business and operating results can be harmed by factors such as the availability, terms and cost of capital, increases in interest rates or a reduction in credit rating. Changes in any one or more of these factors could cause our cost of doing business to increase, limit our access to capital, limit our ability to pursue acquisition opportunities, reduce our cash flows available for drilling and place us at a competitive disadvantage. Recent and continuing disruptions and volatility in the global financial markets may lead to an increase in interest rates or a contraction in credit availability impacting our ability to finance our operations. We require continued access to capital. A significant reduction in the availability of credit could materially and adversely affect our ability to achieve our planned growth and operating results.

Our derivative activities could result in financial losses or could reduce our income.

To achieve more predictable cash flows and to reduce our exposure to adverse fluctuations in the prices of oil and natural gas, we have and may in the future enter into derivative arrangements for a portion of our oil and natural gas production, including, but not limited to, puts, collars and fixed-price swaps. In addition, we currently, and may in the future, hold swaps designed to hedge our interest rate risk. We do not currently designate any of our derivative instruments as hedges for accounting purposes and record all derivative instruments on our balance sheet at fair value. Changes in the fair value of our derivative instruments are recognized in earnings. Accordingly, our earnings may fluctuate significantly as a result of changes in the fair value of our derivative instruments.

Derivative arrangements also expose us to the risk of financial loss in some circumstances, including when:

- production is less than the volume covered by the derivative instruments;
- the counter-party to the derivative instrument defaults on its contract obligations; or
- there is an increase in the differential between the underlying price and actual prices received in the derivative instrument.

In addition, these types of derivative arrangements may limit the benefit we could receive from increases in the prices for oil and natural gas or beneficial interest rate fluctuations and may expose us to cash margin requirements.

Our commercial debt facility, revolving credit facility and indenture governing the Senior Notes contain certain covenants that may inhibit our ability to make certain investments, incur additional indebtedness and engage in certain other transactions, which could adversely affect our ability to meet our future goals.

Our commercial debt facility, revolving credit facility and indenture governing the Senior Notes include certain covenants that, among other things, restrict:

- our investments, loans and advances and certain of our subsidiaries' payment of dividends and other restricted payments;
- our incurrence of additional indebtedness;
- the granting of liens, other than liens created pursuant to the commercial debt facility, revolving credit facility or the indenture governing the Senior Notes and certain permitted liens;
- mergers, consolidations and sales of all or a substantial part of our business or licenses;
- the hedging, forward sale or swap of our production of crude oil or natural gas or other commodities;
- the sale of assets (other than production sold in the ordinary course of business); and
- in the case of the commercial debt facility and the revolving credit facility, our capital expenditures that we can fund with the proceeds of our commercial debt facility, and revolving credit facility.

Our commercial debt facility, revolving credit facility and letter of credit facility require us to maintain certain financial ratios, such as debt service coverage ratios and cash flow coverage ratios. All of these restrictive covenants may limit our ability to expand or pursue our business strategies. Our ability to comply with these and other provisions of our commercial debt facility, revolving credit facility and indenture governing the Senior Notes may be impacted by changes in economic or business conditions, our results of operations or events beyond our control. The breach of any of these covenants could result in a default under our commercial debt facility, revolving credit facility and indenture governing the Senior Notes, in which case, depending on the actions taken by the lenders thereunder or their successors or assignees, such lenders could elect to declare all amounts borrowed under our commercial debt facility, revolving credit facility and indenture governing the Senior Notes, together with accrued interest, to be due and payable and, in the case of the letter of credit facility, the breach of any of the applicable covenants could result in a default, in which case the cash collateral we are required to maintain under the letter of credit facility would increase from 75% to 100% of all outstanding letters of credit, and if such additional cash is not posted, the lenders thereunder could elect to declare all amounts outstanding thereunder, together with accrued interest, to be due and payable. If we were unable to repay such borrowings or interest, our lenders, successors or assignees could proceed against their collateral. If the indebtedness under our commercial debt facility, revolving credit facility, letter of credit facility and indenture governing the Senior Notes were to be accelerated, our assets may not be sufficient to repay in full such indebtedness. In addition, the limitations imposed by the commercial debt facility, the revolving credit facility, the letter of credit facility and the indenture governing the Senior Notes on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing.

Provisions of our Senior Notes could discourage an acquisition of us by a third party.

Certain provisions of the indenture governing the Senior Notes could make it more difficult or more expensive for a third party to acquire us, or may even prevent a third party from acquiring us. For example, upon the occurrence of a "change of control triggering event" (as defined in the indenture governing the Senior Notes), holders of the notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes. By discouraging an acquisition of us by a third party, these provisions could have the effect of depriving the holders of our common shares of an opportunity to sell their common shares at a premium over prevailing market prices.

Our level of indebtedness may increase and thereby reduce our financial flexibility.

At December 31, 2017, we had $800.0 million outstanding and $500.8 million of committed undrawn capacity under our commercial debt facility, subject to borrowing base availability. As of December 31, 2017, there were no borrowings outstanding under the Corporate Revolver and the undrawn availability was $400.0 million. As of December 31, 2017, there were eight outstanding letters of credit totaling $60.3 million under the letter of credit facility agreement and $525.0 million principal amount of Senior Notes outstanding. We also currently have, and may in the future incur, significant off balance sheet obligations. In the future, we may incur significant indebtedness in order to make investments or acquisitions or to explore, appraise or develop our oil and natural gas assets.

Our level of indebtedness could affect our operations in several ways, including the following:

- a significant portion or all of our cash flows, when generated, could be used to service our indebtedness;
- a high level of indebtedness could increase our vulnerability to general adverse economic and industry conditions;
- the covenants contained in the agreements governing our outstanding indebtedness will limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;
- a high level of indebtedness may place us at a competitive disadvantage compared to our competitors that are less leveraged and therefore, may be able to take advantage of opportunities that our indebtedness could prevent us from pursuing;
- our debt covenants may also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- additional hedging instruments may be required as a result of our indebtedness;
- a high level of indebtedness may make it more likely that a reduction in our borrowing base following a periodic redetermination could require us to repay a portion of our then-outstanding bank borrowings; and
- a high level of indebtedness may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes.

A high level of indebtedness increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, risks associated with exploring for and producing oil and natural gas, oil and natural gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. We may not be able to generate sufficient cash flows to pay the interest on our indebtedness and future working capital, borrowings or equity financing may not be available to pay or refinance such indebtedness. Factors that will affect our ability to raise cash through an offering of our equity securities or a refinancing of our indebtedness include financial market conditions, the value of our assets and our performance at the time we need capital.

We are a holding company and our ability to make payments on our outstanding indebtedness, including our Senior Notes and our commercial debt facility, is dependent upon the receipt of funds from our subsidiaries by way of dividends, fees, interest, loans or otherwise.

We are a holding company, and our subsidiaries own all of our assets and conduct all of our operations. Accordingly, our ability to make payments of interest and principal on the Senior Notes and commercial debt facility will be dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors, our subsidiaries will not have any obligation to pay amounts due on the notes or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of the Senior Notes or the commercial debt facility. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. The indenture governing the Senior Notes limits the ability of our subsidiaries to incur consensual encumbrances or restrictions on their ability to pay dividends or make other intercompany payments to us, with significant qualifications and exceptions. In addition, the terms of the commercial debt facility limit the ability of the obligors thereunder, including our material operating subsidiaries that hold interests in our assets located offshore Ghana and their intermediate parent companies (other than Kosmos Energy Holdings) to provide cash to us through dividend, debt repayment or intercompany lending. In the event that we do not receive

distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Senior Notes and commercial debt facility.

We may be subject to risks in connection with acquisitions and the integration of significant acquisitions may be difficult.

We periodically evaluate acquisitions of prospects and licenses, reserves and other strategic transactions that appear to fit within our overall business strategy. The successful acquisition of these assets or businesses requires an assessment of several factors, including:

- recoverable reserves;
- future oil and natural gas prices and their appropriate differentials;
- development and operating costs; and
- potential environmental and other liabilities.

The accuracy of these assessments is inherently uncertain. In connection with these assessments, we perform a review of the subject assets that we believe to be generally consistent with industry practices. Our review will not reveal all existing or potential problems nor will it permit us to become sufficiently familiar with the assets to fully assess their deficiencies and potential recoverable reserves. Inspections may not always be performed on every well, and environmental problems are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or part of the problems. We may not be entitled to contractual indemnification for environmental liabilities and could acquire assets on an "as is" basis. Significant acquisitions and other strategic transactions may involve other risks, including:

- diversion of our management's attention to evaluating, negotiating and integrating significant acquisitions and strategic transactions;
- the challenge and cost of integrating acquired operations, information management and other technology systems and business cultures with those of ours while carrying on our ongoing business;
- difficulty associated with coordinating geographically separate organizations; and
- the challenge of attracting and retaining personnel associated with acquired operations.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of our business. Members of our senior management may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage our business. If our senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer.

If we fail to realize the anticipated benefits of a significant acquisition, our results of operations may be adversely affected.

The success of a significant acquisition (e.g., our investment in KTIPI) will depend, in part, on our ability to realize anticipated growth opportunities from combining the acquired assets or operations with those of ours. Even if a combination is successful, it may not be possible to realize the full benefits we may expect in estimated proved reserves, production volume, cost savings from operating synergies or other benefits anticipated from an acquisition or realize these benefits within the expected time frame. Anticipated benefits of an acquisition may be offset by operating losses relating to changes in commodity prices, increased interest expense associated with debt incurred or assumed in connection with the transaction, adverse changes in oil and gas industry conditions, or by risks and uncertainties relating to the exploratory prospects of the combined assets or operations, or an increase in operating or other costs or other difficulties, including the assumption of health, safety, and environmental or other liabilities in connection with the acquisition. If we fail to realize the benefits we anticipate from an acquisition, our results of operations may be adversely affected.

Our bye-laws contain a provision renouncing our interest and expectancy in certain corporate opportunities, which could adversely affect our business or future prospects.

Our bye-laws provide that, to the fullest extent permitted by applicable law, we renounce any right, interest or expectancy in, or in being offered an opportunity to participate in, any business opportunity that may be from time to time be presented to certain of our affiliates or any of their respective officers, directors, agents, shareholders, members, partners, affiliates and

subsidiaries (other than us and our subsidiaries) or business opportunities that such parties participate in or desire to participate in, even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted the opportunity to do so, and no such person shall be liable to us for breach of any statutory, fiduciary, contractual or other duty, as a director or otherwise, by reason of the fact that such person pursues or acquires any such business opportunity, directs any such business opportunity to another person or fails to present any such business opportunity, or information regarding any such business opportunity, to us unless, in the case of any such person who is our director, such person fails to present any business opportunity that is expressly offered to such person solely in his or her capacity as our director.

As a result, our directors and certain of our affiliates and their respective affiliates may become aware, from time to time, of certain business opportunities, such as acquisition opportunities, and may direct such opportunities to other businesses in which they or their affiliates have invested, in which case we may not become aware of or otherwise have the ability to pursue such opportunity. Further, such businesses may choose to compete with us for these opportunities. As a result, our renouncing of our interest and expectancy in any business opportunity that may be from time to time presented to our directors and certain of our affiliates and their respective affiliates could adversely impact our business or future prospects if attractive business opportunities are procured by such parties for their own benefit rather than for ours.

We receive certain beneficial tax treatment as a result of being an exempted company incorporated pursuant to the laws of Bermuda. Changes in that treatment could have a material adverse effect on our net income, our cash flow and our financial condition.

We are an exempted company incorporated pursuant to the laws of Bermuda and operate through subsidiaries in a number of countries throughout the world. Consequently, we are subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in the United States, Bermuda, Ghana, and other jurisdictions in which we or any of our subsidiaries operate or are resident. In the past, legislation has been introduced in the Congress of the United States that would reform the U.S. tax laws as they apply to certain non-U.S. entities and operations, including legislation that would treat a foreign corporation as a U.S. corporation for U.S. federal income tax purposes if substantially all of its senior management is located in the United States. If this or similar legislation is passed that changes our U.S. tax position, it could have a material adverse effect on our net income, our cash flow and our financial condition.

We may become subject to taxes in Bermuda after March 31, 2035, which may have a material adverse effect on our results of operations.

The Bermuda Minister of Finance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, as amended, has given us an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to us or any of our operations, shares, debentures or other obligations until March 31, 2035, except insofar as such tax applies to persons who ordinarily reside in Bermuda or to any taxes payable by us in respect of real property owned or leased by us in Bermuda.

The impact of Bermuda's letter of commitment to the Organization for Economic Cooperation and Development to eliminate harmful tax practices is uncertain and could adversely affect our tax status in Bermuda.

The Organization for Economic Cooperation and Development ("OECD") has published reports and launched a global initiative among member and non-member countries on measures to limit harmful tax competition. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. According to the OECD, Bermuda is a jurisdiction that has substantially implemented the internationally agreed tax standard and as such is listed on the OECD "white" list. However, we are not able to predict whether any changes will be made to this classification or whether such changes will subject us to additional taxes.

The adoption of financial reform legislation by the United States Congress in 2010, and its implementing regulations, could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price and other risks associated with our business.

We use derivative instruments to manage our commodity price and interest rate risk. The United States Congress adopted comprehensive financial reform legislation in 2010 that establishes federal oversight and regulation of the over-the-counter derivatives market and entities, such as ours, that participate in that market. The Dodd-Frank Act was signed into law by the President on July 21, 2010. The Commodity Futures Trading Commission ("CFTC"), which has jurisdiction over derivatives instruments that are "swaps," has implemented many, but not all, of these provisions through regulations; the SEC, which regulates "security-based swaps" has proposed but not finalized most of its implementing regulations.

Of particular importance to us, the CFTC has the authority to, under certain findings, establish position limits for certain futures, options on futures and swap contracts. Certain bona fide hedging transactions or positions would be exempt from these position limits. The CFTC has proposed rules that would place limits on positions in certain core futures and equivalent swaps contracts for or linked to certain energy, metal, and agricultural physical commodities, subject to exceptions for certain bona fide hedging transactions. It is not possible at this time to predict when the CFTC will finalize these regulations; therefore, the impact of those provisions on us is uncertain at this time.

The CFTC has designated certain interest-rate swaps and index credit default swaps for mandatory clearing and exchange trading. The CFTC has not yet proposed rules designating any other classes of swaps, including physical commodity swaps, for mandatory clearing. The application of the mandatory clearing and trade execution requirements to other market participants, such as swap dealers, may change the cost and availability of the swaps that the Company uses for hedging.

Derivatives dealers that we transact with will need to comply with new margin and segregation requirements for uncleared swaps and security-based swaps. While it is expected that our uncleared derivatives transactions will not directly be subject to those margin requirements, due to the increased costs to dealers for transacting uncleared derivatives in general, our costs for these transactions may increase.

The Dodd-Frank Act and its implementing regulations may also require the counterparties to our derivative instruments to register with the CFTC and become subject to substantial regulation or even spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty. These requirements and others could significantly increase the cost of derivatives contracts (including through requirements to clear swaps and to post collateral, each of which could adversely affect our available liquidity), materially alter the terms of derivatives contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of the legislation and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Our revenues could also be adversely affected if a consequence of the legislation and regulations is to lower commodity prices.

The European Union and other non-U.S. jurisdictions are also implementing regulations with respect to the derivatives market. To the extent we transact with counterparties in foreign jurisdictions, we or our transactions may become subject to such regulations. At this time, the impact of such regulations is not clear.

Any of these consequences could have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

We may become a "passive foreign investment company" for U.S. federal income tax purposes, which could create adverse tax consequences for U.S. investors.

U.S. investors that hold stock in a "passive foreign investment company" ("PFIC") are subject to special rules that can create adverse U.S. federal income tax consequences, including imputed interest charges and recharacterization of certain gains and distributions. Based on management estimates and projections of future revenue, we do not believe that we will be a PFIC for the current taxable year and we do not expect to become one in the foreseeable future. Because PFIC status is a factual determination that is made annually and thus is subject to change, there can be no assurance that we will not be a PFIC for any taxable year.

A cyber incident could result in information theft, data corruption, operational disruption, and/or financial loss.

The oil and gas industry has become increasingly dependent on digital technologies to conduct day-to-day operations including certain exploration, development and production activities. For example, software programs are used to interpret seismic data, manage drilling rigs, conduct reservoir modeling and reserves estimation, and to process and record financial and operating data.

We depend on digital technology, including information systems and related infrastructure as well as cloud application and services, to process and record financial and operating data, communicate with our employees and business partners, analyze seismic and drilling information, estimate quantities of oil and gas reserves and for many other activities related to our business. Our business partners, including vendors, service providers, co-venturers, purchasers of our production, and financial institutions, are also dependent on digital technology. The complexity of the technologies needed to explore for and develop oil and gas in increasingly difficult physical environments, such as deepwater, and global competition for oil and gas resources make certain information more attractive to thieves.

As dependence on digital technologies has increased, cyber incidents, including deliberate attacks or unintentional events, have also increased. A cyber-attack could include gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption, or result in denial-of-service on websites. For example, in 2012, a wave of network attacks impacted Saudi Arabia's oil industry and breached financial institutions in the U.S. A number of U.S. companies have also been subject to cyber-attacks in recent years resulting in unauthorized access to sensitive information. Certain countries are believed to possess cyber warfare capabilities and are credited with attacks on American companies and government agencies.

Our technologies, systems, networks, and those of our business partners may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of our business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. A cyber incident involving our information systems and related infrastructure, or that of our business partners, could disrupt our business plans and negatively impact our operations. Although to date we have not experienced any significant cyber-attacks, there can be no assurance that we will not be the target of cyber-attacks in the future or suffer such losses related to any cyber-incident. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

Outbreaks of disease in the geographies in which we operate may adversely affect our business operations and financial condition.

Many of our operations are currently, and will likely remain in the near future, in developing countries which are susceptible to outbreaks of disease and may lack the resources to effectively contain such an outbreak quickly. Such outbreaks may impact our ability to explore for oil and gas, develop or produce our license areas by limiting access to qualified personnel, increasing costs associated with ensuring the safety and health of our personnel, restricting transportation of personnel, equipment, supplies and oil and gas production to and from our areas of operation and diverting the time, attention and resources of government agencies which are necessary to conduct our operations. In addition, any losses we experience as a result of such outbreaks of disease which impact sales or delay production may not be covered by our insurance policies.

An epidemic of the Ebola virus disease occurred in parts of West Africa in 2014 and continued through 2015. A substantial number of deaths were reported by the World Health Organization ("WHO") in West Africa, and the WHO declared it a global health emergency. It is impossible to predict the effect and potential spread of new outbreaks of the Ebola virus in West Africa and surrounding areas. Should another Ebola virus outbreak occur, including to the countries in which we operate, or not be satisfactorily contained, our exploration, development and production plans for our operations could be delayed, or interrupted after commencement. Any changes to these operations could significantly increase costs of operations. Our operations require contractors and personnel to travel to and from Africa as well as the unhindered transportation of equipment and oil and gas production (in the case of our producing fields). Such operations also rely on infrastructure, contractors and personnel in Africa. If travel bans are implemented or extended to the countries in which we operate, or contractors or personnel refuse to travel there, we could be adversely affected. If services are obtained, costs associated with those services could be significantly higher than planned which could have a material adverse effect on our business, results of operations, and future cash flow. In addition, should an Ebola virus outbreak spread to the countries in which we operate, access to the FPSOs could be restricted and/or terminated. The FPSOs are potentially able to operate for a short period of time without access to the mainland, but if restrictions extended for a longer period we and the operator of the impacted fields would likely be required to cease production and other operations until such restrictions were lifted.

Risks Relating to Our Common Shares

Our share price may be volatile, and purchasers of our common shares could incur substantial losses.

Our share price may be volatile. The stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The market price for our common shares may be influenced by many factors, including, but not limited to:

- the price of oil and natural gas;
- the success of our exploration and development operations, and the marketing of any oil and natural gas we produce;
- operational incidents;

- regulatory developments in Bermuda, the United States and foreign countries where we operate;
- the recruitment or departure of key personnel;
- quarterly or annual variations in our financial results or those of companies that are perceived to be similar to us;
- market conditions in the industries in which we compete and issuance of new or changed securities;
- analysts' reports or recommendations;
- the failure of securities analysts to cover our common shares or changes in financial estimates by analysts;
- the inability to meet the financial estimates of analysts who follow our common shares;
- the issuance or sale of any additional securities of ours;
- investor perception of our company and of the industry in which we compete; and
- general economic, political and market conditions.

A substantial portion of our total issued and outstanding common shares may be sold into the market at any time. This could cause the market price of our common shares to drop significantly, even if our business is doing well.

All of the shares sold in our initial public offering are freely tradable without restrictions or further registration under the federal securities laws, unless purchased by our "affiliates" as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). Substantially all of the remaining common shares are restricted securities as defined in Rule 144 under the Securities Act (unless they have been sold pursuant to Rule 144 to date). Restricted securities may be sold in the U.S. public market only if registered or if they qualify for an exemption from registration, including by reason of Rule 144 or Rule 701 under the Securities Act. All of our restricted shares are eligible for sale in the public market, subject in certain circumstances to the volume, manner of sale limitations with respect to shares held by our affiliates and other limitations under Rule 144. Additionally, we have registered all our common shares that we may issue under our employee benefit plans. These shares can be freely sold in the public market upon issuance, unless pursuant to their terms these share awards have transfer restrictions attached to them. Sales of a substantial number of our common shares, or the perception in the market that the holders of a large number of shares intend to sell common shares, could reduce the market price of our common shares.

The concentration of our share capital ownership among our largest shareholders, and their affiliates, will limit your ability to influence corporate matters.

Our two largest shareholders collectively own approximately 37% of our issued and outstanding common shares as of December 31, 2017. Consequently, these shareholders have significant influence over all matters that require approval by our shareholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership will limit your ability to influence corporate matters, and as a result, actions may be taken that you may not view as beneficial.

Holders of our common shares will be diluted if additional shares are issued.

We may issue additional common shares, preferred shares, warrants, rights, units and debt securities for general corporate purposes, including, but not limited to, repayment or refinancing of borrowings, working capital, capital expenditures, investments and acquisitions. We continue to actively seek to expand our business through complementary or strategic acquisitions, and we may issue additional common shares in connection with those acquisitions. We also issue restricted shares to our executive officers, employees and independent directors as part of their compensation. If we issue additional common shares in the future, it may have a dilutive effect on our current outstanding shareholders.

We do not intend to pay dividends on our common shares and, consequently, your only opportunity to achieve a return on your investment is if the price of our shares appreciates.

We do not plan to declare dividends on shares of our common shares in the foreseeable future. Additionally, certain of our subsidiaries are currently restricted in their ability to pay dividends to us pursuant to the terms of our commercial debt facility unless they meet certain conditions, financial and otherwise. Consequently, investors must rely on sales of their common shares after price appreciation, which may never occur, as the only way to realize a return on their investment.

We are a Bermuda company and a significant portion of our assets are located outside the United States. As a result, it may be difficult for shareholders to enforce civil liability provisions of the federal or state securities laws of the United States.

We are a Bermuda exempted company. As a result, the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Some of our directors are not residents of the United States, and a substantial portion of our assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on that person in the United States or to enforce in the United States judgments obtained in U.S. courts against us or that person based on the civil liability provisions of the U.S. securities laws. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against us or our directors or officers under the securities laws of other jurisdictions.

Bermuda law differs from the laws in effect in the United States and might afford less protection to shareholders.

Our shareholders could have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of the United States. As a Bermuda company, we are governed by the Companies Act 1981 of Bermuda (the "Bermuda Companies Act"). The Bermuda Companies Act differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including the provisions relating to interested directors, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. Set forth below is a summary of these provisions, as well as modifications adopted pursuant to our bye-laws, which differ in certain respects from provisions of Delaware corporate law. Because the following statements are summaries, they do not discuss all aspects of Bermuda law that may be relevant to us and our shareholders.

Interested Directors. Under Bermuda law and our bye-laws, as long as a director discloses a direct or indirect interest in any contract or arrangement with us as required by law, such director is entitled to vote in respect of any such contract or arrangement in which he or she is interested, unless disqualified from doing so by the chairman of the meeting, and such a contract or arrangement will not be voidable solely as a result of the interested director's participation in its approval. In addition, the director will not be liable to us for any profit realized from the transaction. In contrast, under Delaware law, such a contract or arrangement is voidable unless it is approved by a majority of disinterested directors or by a vote of shareholders, in each case if the material facts as to the interested director's relationship or interests are disclosed or are known to the disinterested directors or shareholders, or such contract or arrangement is fair to the corporation as of the time it is approved or ratified. Additionally, such interested director could be held liable for a transaction in which such director derived an improper personal benefit.

Mergers and Similar Arrangements. The amalgamation of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation agreement to be approved by the company's board of directors and by its shareholders. Unless the company's bye-laws provide otherwise, the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation agreement, and the quorum for such meeting must be two persons holding or representing more than one-third of the issued shares of the company. Our bye-laws provide that an amalgamation (other than with a wholly owned subsidiary, per the Bermuda Companies Act) that has been approved by the board must only be approved by shareholders owning a majority of the issued and outstanding shares entitled to vote. Under Bermuda law, in the event of an amalgamation of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the shareholders meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares. Under Delaware law, with certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the issued and outstanding shares entitled to vote thereon. Under Delaware law, a shareholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which such shareholder may receive cash in the amount of the fair value of the shares held by such shareholder (as determined by a court) in lieu of the consideration such shareholder would otherwise receive in the transaction.

Shareholders' Suit. Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order

as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

Our bye-laws contain a provision by virtue of which we and our shareholders waive any claim or right of action that they have, both individually and on our behalf, against any director or officer in relation to any action or failure to take action by such director or officer, except in respect of any fraud or dishonesty of such director or officer. Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court has discretion to permit the winning party to recover attorneys' fees incurred in connection with such action.

Indemnification of Directors and Officers. We may indemnify our directors and officers in their capacity as directors or officers for any loss arising or liability attaching to them by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which a director or officer may be guilty in relation to the company other than in respect of his own fraud or dishonesty. Under Delaware law, a corporation may indemnify a director or officer of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if such director or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, such director or officer had no reasonable cause to believe his or her conduct was unlawful. In addition, we have entered into customary indemnification agreements with our directors.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

See "Item 1. Business." We also have various operating leases for rental of office space, office and field equipment, and vehicles. See Note 15 of Notes to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for the future minimum rental payments. Such information is incorporated herein by reference.

Item 3. Legal Proceedings

From time to time, we may be involved in various legal and regulatory proceedings arising in the normal course of business. While we cannot predict the occurrence or outcome of these proceedings with certainty, we do not believe that an adverse result in any pending legal or regulatory proceeding, individually or in the aggregate, would be material to our consolidated financial condition or cash flows; however, an unfavorable outcome could have a material adverse effect on our results of operations for a specific interim period or year.

In June 2016, Kosmos Energy Ghana HC filed a Request for Arbitration with the International Chamber of Commerce against Tullow Ghana Limited in connection with a dispute arising under the DT Joint Operating Agreement. At dispute is Kosmos Energy Ghana HC's responsibility for expenditures arising from Tullow Ghana Limited's contract with Seadrill for use of the West Leo drilling rig once partner-approved 2016 work program objectives were concluded. Tullow has charged such expenditures to the DT joint account. Kosmos disputes that these expenditures are chargeable to the DT joint account on the basis that the Seadrill West Leo drilling rig contract was not approved by the DT operating committee pursuant to the DT Joint Operating Agreement.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Shares Trading Summary

Our common shares are traded on the NYSE and LSE under the symbol KOS. The following table shows the quarterly high and low sale prices of our common shares based on the NYSE.

	2017		2016	
	High	Low	High	Low
First Quarter	$ 7.39	$ 5.53	$ 6.41	$ 3.17
Second Quarter	7.90	5.65	6.79	4.63
Third Quarter	8.21	5.99	6.63	5.16
Fourth Quarter	8.62	6.55	7.14	4.39

As of February 21, 2018, based on information from the Company's transfer agent, Computershare Trust Company, N.A., the number of holders of record of Kosmos' common shares was 68. On February 21, 2018, the last reported sale price of Kosmos' common shares, as reported on the NYSE, was $5.60 per share.

We have never paid any dividends on our common shares. At the present time, we intend to retain all of our future earnings, if any, generated by our operations for the development and growth of our business. Additionally, we are subject to Bermuda legal constraints that may affect our ability to pay dividends on our common shares and make other payments. Under the Bermuda Companies Act, we may not declare or pay a dividend if there are reasonable grounds for believing that we are, or would after the payment be, unable to pay our liabilities as they become due or that the realizable value of our assets would thereafter be less than the aggregate of our liabilities, issued share capital and share premium accounts. Certain of our subsidiaries are also currently restricted in their ability to pay dividends to us pursuant to the terms of the Senior Notes, the Facility and the Corporate Revolver unless we meet certain conditions, financial and otherwise. Any decision to pay dividends in the future is at the discretion of our board of directors and depends on our financial condition, results of operations, capital requirements and other factors that our board of directors deems relevant. Currently we do not anticipate paying any dividends in the foreseeable future.

Issuer Purchases of Equity Securities

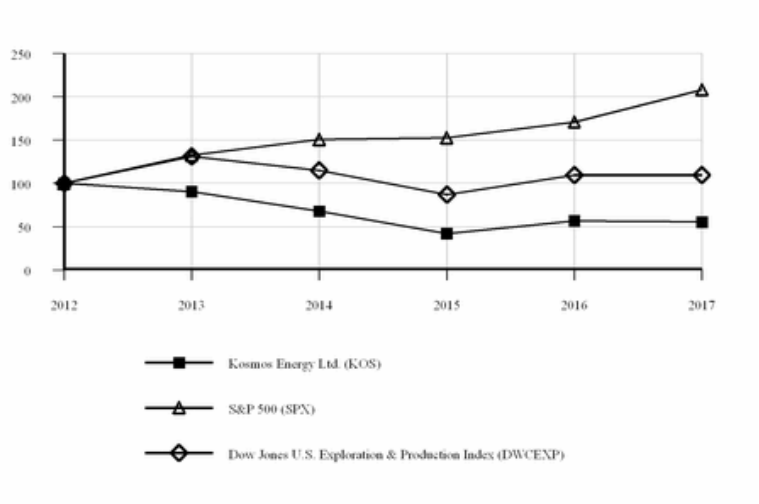
Under the terms of our Long Term Incentive Plan ("LTIP"), we have issued restricted shares to our employees. On the date that these restricted shares vest, we provide such employees the option to sell shares to cover their tax liability, via a net exercise provision pursuant to our applicable restricted share award agreements and the LTIP, at either the number of vested shares (based on the closing price of our common shares on such vesting date) equal to the minimum statutory tax liability owed by such grantee or up to the maximum statutory tax liability for such grantee. The Company may repurchase the restricted shares sold by the grantees to settle their tax liability. The repurchased shares are reallocated to the number of shares available for issuance under the LTIP. The following table outlines the total number of shares purchased during fiscal year 2017 and the average price paid per share.

	Total Number of Shares Purchased	Average Price Paid per Share
	(In thousands)	
January 1, 2017—January 31, 2017	74	$ 7.01
February 1, 2017—February 29, 2017	—	—
March 1, 2017—March 31, 2017	—	—
April 1, 2017—April 30, 2017	—	—
May 1, 2017—May 31, 2017	—	—
June 1, 2017—June 30, 2017	13	6.12
July 1, 2017—July 31, 2017	—	—
August 1, 2017—August 31, 2017	—	—
September 1, 2017—September 30, 2017	—	—
October 1, 2017—October 31, 2017	—	—
November 1, 2017—November 30, 2017	—	—
December 1, 2017—December 31, 2017	—	—
Total	87	6.87

Share Performance Graph

The following Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filings.

The following graph illustrates changes over the five-year period ended December 31, 2017, in cumulative total stockholder return on our common shares as measured against the cumulative total return of the S&P 500 Index and the Dow Jones U.S. Exploration & Production Index. The graph tracks the performance of a $100 investment in our common shares and in each index (with the reinvestment of all dividends).



	December 31,					
	2012	2013	2014	2015	2016	2017
Kosmos Energy Ltd. (KOS)	$ 100.00	$ 90.53	$ 67.94	$ 42.11	$ 56.76	$ 55.47
S&P 500 (SPX)	100.00	132.37	150.48	152.55	170.78	208.05
Dow Jones U.S. Exploration & Production Index (DWCEXP)	100.00	131.17	114.81	87.02	109.40	109.70

Item 6. Selected Financial Data

The following selected consolidated financial information set forth below as of and for the five years ended, December 31, 2017, should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data."

Consolidated Statements of Operations Information:

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(In thousands, except per share data)				
Revenues and other income:					
Oil and gas revenue	$ 578,139	$ 310,377	$ 446,696	$ 855,877	$ 851,212
Gain on sale of assets	—	—	24,651	23,769	—
Other income, net	58,697	74,978	209	3,092	941
Total revenues and other income	636,836	385,355	471,556	882,738	852,153
Costs and expenses:					
Oil and gas production	126,850	119,367	105,336	100,122	96,791
Facilities insurance modifications, net	(820)	14,961	—	—	—
Exploration expenses	216,050	202,280	156,203	93,519	230,314
General and administrative	68,302	87,623	136,809	135,231	158,421
Depletion and depreciation	255,203	140,404	155,966	198,080	222,544
Interest and other financing costs, net	77,595	44,147	37,209	45,548	47,590
Derivatives, net	59,968	48,021	(210,649)	(281,853)	17,027
Restructuring charges	—	—	—	11,742	—
Loss on equity method investment	6,252	—	—	—	—
Other expenses, net	5,291	23,116	5,246	2,081	3,512
Total costs and expenses	814,691	679,919	386,120	304,470	776,199
Income (loss) before income taxes	(177,855)	(294,564)	85,436	578,268	75,954
Income tax expense (benefit)	44,937	(10,784)	155,272	298,898	166,998
Net income (loss)	$ (222,792)	$ (283,780)	$ (69,836)	$ 279,370	$ (91,044)
Net income (loss) per share:					
Basic	$ (0.57)	$ (0.74)	$ (0.18)	$ 0.73	$ (0.24)
Diluted	$ (0.57)	$ (0.74)	$ (0.18)	$ 0.72	$ (0.24)
Weighted average number of shares used to compute net income (loss) per share:					
Basic	388,375	385,402	382,610	379,195	376,819
Diluted	388,375	385,402	382,610	386,119	376,819

Consolidated Balance Sheets Information:

	December 31,				
	2017	2016	2015(1)(2)	2014(1)	2013(1)
	(In thousands)				
Cash and cash equivalents	$ 233,412	$ 194,057	$ 275,004	$ 554,831	$ 598,108
Total current assets	533,602	475,187	734,148	1,010,476	734,961
Total property and equipment, net	2,317,828	2,708,892	2,322,839	1,784,846	1,522,962
Total other assets	341,173	157,386	146,063	131,537	53,742
Total assets	3,192,603	3,341,465	3,203,050	2,926,859	2,311,665
Total current liabilities	428,730	370,025	456,741	448,771	219,324
Total long-term liabilities	1,866,761	1,890,241	1,420,796	1,139,129	1,100,006
Total shareholders' equity	897,112	1,081,199	1,325,513	1,338,959	992,335
Total liabilities and shareholders' equity	3,192,603	3,341,465	3,203,050	2,926,859	2,311,665

(1) Effective December 31, 2015, the Company adopted new guidance on the presentation of debt issuance costs. This guidance was adopted retrospectively and all prior periods have been adjusted to reflect this change in accounting principle.

(2) Effective December 31, 2015, the Company adopted new guidance on the presentation of deferred taxes. The Company elected to adopt the accounting change using the prospective method. See Note 2 of Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows Information:

	December 31,				
	2017	2016	2015(1)	2014(1)	2013(1)
	(In thousands)				
Net cash provided by (used in):					
Operating activities	$ 236,617	$ 52,077	$ 440,779	$ 443,586	$ 522,404
Investing activities	(152,565)	(537,763)	(796,433)	(368,603)	(322,383)
Financing activities	(52,261)	448,019	79,634	(139,184)	(115,327)

(1) Effective December 31, 2016, the Company adopted new guidance on the presentation of restricted cash. This guidance was adopted retrospectively and all prior periods have been adjusted to reflect this change in accounting principle.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Cautionary Statement Regarding Forward-Looking Statements" and "Item 1A. Risk Factors." The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this annual report on Form 10-K.

Overview

Kosmos is a leading independent oil and gas exploration and production company focused on frontier and emerging areas along the Atlantic Margins. Our assets include existing production and development projects offshore Ghana and Equatorial Guinea, large discoveries and significant further exploration potential offshore Mauritania and Senegal, as well as exploration licenses offshore Cote d'Ivoire, Equatorial Guinea, Morocco, Sao Tome and Principe, and Suriname.

Recent Developments

Corporate

In February 2018, the Company amended and restated the Facility with a total commitment of $1.5 billion from a number of financial institutions with additional commitments up to $0.5 billion being available if the existing financial institutions increase their commitments or if commitments from new financial institutions are added. As a result of the financing, we will record a $5.7 million loss on the extinguishment of debt in the first quarter of 2018.

See "—Liquidity and Capital Resources" for additional information regarding the Facility.

Our revolving letter of credit facility agreement ("LC Facility") has flexibility that allows us to increase or decrease the available amount as needed if the existing lender increases its commitment or if commitments from new financial institutions are added. During the first quarter of 2017, the LC Facility size was increased to $115.0 million and in April 2017, we reduced the size of our LC Facility to $70 million. In February 2018, the LC Facility was increased to $73 million to facilitate the issuance of additional letters of credit.

In August 2017, we announced that our entire issued and outstanding share capital has been admitted to the standard listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's ("LSE") main market for listed securities under the ticker "KOS". The listing is expected to broaden Kosmos' international investor base and provide access to an additional pool of capital.

On December 22, 2017, the President of the United States signed P.L. 115-97, the Tax Cut and Jobs Act (the Tax Reform Act), into law. Many of the provisions of the Act are effective beginning January 1, 2018, most notable of which is the reduction in the U.S. corporate income tax rate from 35% to 21%. We are required to adjust our U.S. net deferred tax assets for the effect of changes in tax laws or tax rates during the period that includes the date of enactment. Accordingly, we have recorded a $16.7 million charge to deferred tax expense in December 2017 as a result of reducing our net deferred tax assets. The changes required by the Tax Reform Act will have a positive, though immaterial impact, on our effective tax rate.

Rig Agreement

In January 2017, Kosmos Energy Ventures ("KEV"), a subsidiary of Kosmos Energy Ltd., exercised its right under the amended Atwood Achiever rig agreement with Atwood Oceanics, Inc. to exercise its option to cancel the fourth year of the agreement and revert to the original day rate of approximately $0.6 million per day and original agreement end date of November 2017. KEV made a rate recovery payment of approximately $48.1 million based on this election. In November 2017, we entered into a drilling rig contract for the ENSCO DS-12 which includes one firm well plus six well options. We have completed the initial well and have exercised one of the six well options which will be drilled in 2018.

Kosmos-BP Strategic Exploration Alliance

During the second quarter of 2017, we formed the Kosmos-BP Strategic Exploration Alliance ("Alliance"). This Alliance broadens the relationship that previously covered new venture opportunities in Mauritania, Senegal and The Gambia to create an Atlantic Margin explorer-developer partnership. The Alliance will leverage our regional exploration knowledge and capability together with BP's deepwater development expertise to execute a selective, joint frontier and emerging basin exploration strategy in the Atlantic Margin.

Cote d'Ivoire

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

Strategic entry into Equatorial Guinea

Ceiba Field and Okume Complex Acquisition

In the fourth quarter of 2017, through a joint venture with an affiliate of Trident, we acquired all of the equity interest of Hess International Petroleum Inc., a subsidiary of Hess, which holds an 85% paying interest (80.75% revenue interest) in the Ceiba Field and Okume Complex assets. Under the terms of the agreement, Kosmos and Trident each own 50% of Hess International Petroleum Inc. Hess International Petroleum Inc. was subsequently renamed Kosmos-Trident International Petroleum Inc. ("KTIPI"). Kosmos is primarily responsible for exploration and subsurface evaluation while Trident is primarily responsible for production operations and optimization. The transaction expands our position in the Gulf of Guinea and provides immediate cash flow through existing production with potential to increase existing production and also provides step-out exploration opportunities with potential low cost tie-back through existing infrastructure. The gross acquisition price is $650 million effective as of January 1, 2017. After post closing entries Kosmos paid net cash of approximately $231 million, with a combination of cash on hand and availability under the Facility. The transaction is accounted for as an equity method investment.

Exploration Blocks

In October 2017, we also entered into petroleum contracts covering Blocks EG-21, S, and W with the Republic of Equatorial Guinea. Ratification of the petroleum contracts by the President of Equatorial Guinea is expected in early 2018. We presently have an 80% participating interest and are the operator in all three blocks, but pursuant to an agreement with Trident, we expect to assign a 40% participating interest in the blocks to an affiliate of Trident after ratification. The Equatorial Guinean national oil company, Guinea Equatorial De Petroleos ("GEPetrol"), currently has a 20% carried participating interest during the exploration period. Should a commercial discovery be made, GEPetrol's 20% carried interest will convert to a 20% participating interest. The petroleum contracts cover approximately 6,000 square kilometers, with a first exploration period of five years from the date of notification of ratification by the President of Equatorial Guinea. The first exploration period consists of two sub-periods of three and two years, respectively. The first exploration sub-period work program includes an approximately 6,000 square kilometer 3D seismic acquisition requirement across the blocks.

Ghana

Jubilee

Kosmos and its partners have determined the preferred long-term solution to the turret bearing issue is to convert the FPSO to a permanently spread moored facility. The Jubilee turret remediation work is progressing as planned and the FPSO spread-mooring at its current heading was completed in February 2017. This allowed the tug boats previously required to hold the vessel on a fixed heading to be removed, significantly reducing the cost and complexity of the current operation. The next phase of the remediation work involves lifting and locking the main bearing. With regard to the turret remediation plan, the partnership is aligned on the engineering solution. This involves a shutdown to stabilize the turret bearing during the first quarter of 2018 followed by work to rotate the vessel to a new heading and permanently spread moor the vessel. The turret stabilization shutdown is being conducted in two phases, the first of which is complete and oil production is back online. The second phase is expected to commence around the end of the first quarter of 2018, and we anticipate the overall shutdown of oil production for both phases to be around four weeks. It is anticipated the gas system will be shut-in for slightly longer to complete non-turret related maintenance. We now expect the rotation of the vessel to take place around the end of 2018 with minimal impact to production in 2018.

The financial impact of lower Jubilee production as well as the additional expenditures associated with the damage to the turret bearing is mitigated through a combination of the comprehensive Hull and Machinery insurance (“H&M”), procured by the operator, Tullow, on behalf of the Jubilee Unit partners, and the corporate Loss of Production Income (“LOPI”) insurance procured by Kosmos. Our LOPI coverage for this incident ended in May 2017 and final claim amounts have been approved and cash proceeds were received in August 2017.

The Greater Jubilee Full Field Development Plan (“GJFFDP”) was resubmitted to the government of Ghana in September 2017 and subsequently approved in October 2017. This plan, which is expected to increase proved reserves and extend the field production profile, has been optimized to reduce overall capital expenditures to reflect the current oil price market. In

November 2015, we signed the Jubilee Field Unit Expansion Agreement with our partners, which became effective upon approval of the GJFFDP, to allow for the development of the Mahogany and Teak discoveries through the Jubilee FPSO and infrastructure, thus reducing their development cost. Upon approval of the GJFFDP by the Ministry of Energy in October 2017, operatorship for the Mahogany and Teak discoveries transferred to Tullow. Kosmos continues to assist Tullow with the transition process, which is expected to extend into the first half of 2018.

Tweneboa, Enyenra and Ntomme ("TEN")

In September 2017, the Special Chamber of the International Tribunal of the Sea (ITLOS) issued its final decision in the maritime boundary dispute between the Governments of Ghana and Cote d'Ivoire. The maritime boundary delimited by the Special Chamber's decision has no impact on TEN production or reserves or otherwise on the company's interests in Ghana. Production from TEN in the year ended December 31, 2017 averaged approximately 55,800 bopd which exceeded the operator's 2017 guidance of 50,000 bopd. We expect to resume drilling in early 2018 and production is expected to increase towards FPSO capacity.

Mauritania and Senegal Partnership with BP

In December 2016, we announced a partnership with affiliates of BP p.l.c. ("BP") in Mauritania and Senegal following a competitive farm-out process for our interests in our blocks offshore Mauritania and Senegal. We believe BP is the optimal partner to advance the gas developments in these blocks. In Mauritania, BP acquired a 62% participating interest in our four Mauritania licenses (C6, C8, C12 and C13). In Senegal, BP acquired a 49.99% interest in Kosmos BP Senegal Limited ("KBSL"), our controlled affiliate company which held a 65% participating interest in the Cayar Offshore Profond and the Saint Louis Offshore Profond blocks offshore Senegal. The participating interest gave effect to the completion of our exercise in December 2016 of an option to increase our equity in each contract area from 60% to 65% in exchange for carrying Timis Corporation's paying interest share of a third well in either contract area, subject to a maximum gross cost of $120.0 million. In October 2017, upon approval, KBSL transferred a 30% working interest in the Senegal Blocks to BP Senegal Investments Limited in exchange for their outstanding shares of KBSL. After the transfer, KBSL has a 30% direct participating interest in the Senegal Blocks and therefore, KBSL will no longer be accounted for under the equity method of accounting. In consideration for these transactions, Kosmos received $162 million in cash up front, a $221 million exploration and appraisal carry, and will receive up to $533 million in a development carry and variable consideration up to $2 per barrel for up to 1 billion barrels of liquids, structured as a production royalty, subject to future liquids discovery and prevailing oil prices. Upon completion of the unwind, the cap on exploration and appraisal carry was increased by $7 million.

Greater Tortue Discovery

In August 2017, we announced the successful completion of the drill stem test ("DST") of the Tortue-1 well, demonstrating that the Tortue field is a world-class resource and confirming key development parameters including well deliverability, reservoir connectivity, and fluid composition. The Tortue-1 well flowed at a sustained, equipment-constrained rate of approximately 60 million cubic feet per day (MMcfd) during the main extended flow period, with minimal pressure drawdown, providing confidence in well designs that are each capable of producing approximately 200 MMcfd. The DST results confirmed a connected volume per well consistent with the current development scheme, which together with the high well rate is expected to result in a low number of development wells compared to equivalent schemes. Initial analysis of fluid samples collected during the test indicate Tortue gas is well suited for liquefaction given low levels of liquids and minimal impurities. Data acquired from the DST will be used to further optimize field development and to refine process design parameters critical to the front end engineering and design ("FEED") process.

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

Mauritania

In March 2017, we completed a multi-block 3D seismic survey offshore Mauritania covering approximately 11,700 square kilometers over Blocks C6, C8, C12 and C13.

In September 2017, we closed a farm-in agreement with Tullow Mauritania Limited, a subsidiary of Tullow Oil plc ("Tullow"), to acquire a 15% non-operated participating interest in Block C18 offshore Mauritania. Based on the terms of the agreement, we will reimburse a portion of past and interim period costs and partially carry Tullow's share of a planned 3D seismic program (up to $2.1 million net to Kosmos). We will also pay Tullow $2.5 million by the end of the initial phase of the exploration period for additional carry of seismic and other joint account costs.

Drilling of the Hippocampe-1 exploration well on the C8 block was completed in October 2017. Designed to test Lower Cenomanian and Albian reservoirs, the well was drilled to a total depth of approximately 5,500 meters. The well has been plugged and abandoned. Total well and other related costs of $31.3 million are included in exploration expenses in the accompanying consolidated statement of operations for the year ended December 31, 2017.

In December 2017, the Lamantin-1 exploration well was drilled to a total depth of 5,150 meters. This well was designed to evaluate a previously untested Lower Campanian base of slope fan supplied from the Nouakchott River system, trapped in a combination structural-stratigraphic feature, and charged from underlying, oil-prone Cenomanian/Turonian and Albian source rocks. The well has been plugged and abandoned. Total well and other related costs of $8.0 million are included in exploration expenses in the accompanying consolidated statement of operations for the year ended December 31, 2017.

In December 2017, we began a 3D seismic survey of approximately 9,400 square kilometers over Block C18 offshore Mauritania.

Senegal

In May 2017, we announced the Yakaar-1 exploration well, located in the Cayar Offshore Profond block offshore Senegal, made a major gas discovery. Located approximately 60 miles northwest of Dakar in approximately 2,600 meters of water, the Yakaar-1 exploration well was drilled to a total depth of approximately 4,900 meters. The well intersected a gross hydrocarbon column of 120 meters (394 feet) in three pools within the primary Lower Cenomanian objective and encountered 45 meters (148 feet) of net pay. An appraisal program over the combined Yakaar and Teranaga discoveries is progressing.

In the second quarter of 2017, upon completion of an agreement between BP and Timis Corporation Limited ("Timis") by which BP acquired Timis' entire 30% participating interest in the Senegal Blocks, Kosmos agreed to withdraw the exercise of our call option to increase our equity in each of the Cayar Offshore Profond and the Saint Louis Offshore Profond blocks from 60% to 65% in exchange for carrying Timis Corporation's paying interest share of a third well in either contract area, subject to a maximum gross cost of $120.0 million.

In February 2018, the Requin Tigre-1 exploration well was drilled to a total depth of 5,200 meters and was designed to evaluate Cenomanian and Albian reservoirs in a structural-stratigraphic trap, charged from an underlying Neocomian-Valanginian source kitchen. The prospect was fully tested but did not encounter hydrocarbons. Post-well analysis is currently ongoing to determine the reasons it was unsuccessful. The well has been plugged and abandoned. Total well and other related costs of $0.4 million are included in exploration expenses in the accompanying consolidated statement of operations for the year ended December 31, 2017.

Morocco (including Western Sahara)

In November 2017, Kosmos provided to our co-venturers a notice of withdrawal from Boujdour Maritime and transferred its participating interest and operatorship to ONHYM. Certain transition services are being provided to ONHYM as part of the handover of operatorship. In order to complete our obligations under the petroleum contract, we will continue to fund the remainder of the current seismic program.

In June 2017, we completed a 3D seismic survey of approximately 3,000 square kilometers over the Essaouira Offshore block in the Agadir Basin. Additional geological studies are expected to be conducted beginning in the first quarter of 2018. The current phase of the Essaouira Offshore petroleum contract expires in November 2018.

Suriname

In January 2017, we completed a 3D seismic survey of approximately 6,500 square kilometers over Block 42 and Block 45 offshore Suriname. We plan to drill two exploration wells during 2018.

Sao Tome and Principe

In August 2017, we completed a 3D seismic survey of approximately 15,800 square kilometers over Blocks 5, 6, 11 and 12 offshore Sao Tome and Principe.

In November 2017, we received approval for a one-year extension of Phase 1 for Block 11 offshore Sao Tome and Principe, which now expires in July 2019.

In January 2018, we and our partner BP were awarded the rights to negotiate petroleum contracts for Blocks 10 and 13 offshore Sao Tome and Principe.

Portugal

In January 2017, we provided to our co-venturers a notice of withdrawal from the Ameijoa, Camarao, Mexilhao and Ostra Blocks offshore Portugal.

Results of Operations

All of our results, as presented in the table below, represent operations from the Jubilee and TEN fields in Ghana and our equity method investment offshore Equatorial Guinea. Certain operating results and statistics for the years ended December 31, 2017, 2016 and 2015 are included in the following tables:

	Year Ended December 31, 2017		
	Kosmos	Equity Method Investment-Equatorial Guinea(1)	Total
	(In thousands, except per barrel data)		
Sales volumes:			
Jubilee	7,782	—	7,782
TEN	2,979	—	2,979
Ceiba / Okume	—	405	405
	10,761	405	11,166
Revenues:			
Oil sales	$ 578,139	$ 27,307	$ 605,446
Average sales price per Bbl	53.73	67.42	54.22
Costs:			
Oil production, excluding workovers	$ 121,429	$ 7,755	$ 129,184
Oil production, workovers	5,421	—	5,421
Total oil production costs	$ 126,850	$ 7,755	$ 134,605
Depletion and depreciation	$ 255,203	$ 11,181	$ 266,384
Average cost per Bbl:			
Oil production, excluding workovers	$ 11.28	$ 19.15	$ 11.57
Oil production, workovers	0.50	—	0.48
Total oil production costs	11.78	19.15	12.05
Depletion and depreciation	23.72	27.61	23.86
Oil production cost and depletion costs	$ 35.50	$ 46.76	$ 35.91

(1) For the year ended December 31, 2017, we have presented our 50% share of the results of operations from the date of acquisition, November 28, 2017 through December 31, 2017. Under the equity method of accounting, we only recognize our share of the net income of KTIPI, which is recorded in loss on equity method investments, net in the consolidated statement of operations.

	Years Ended December 31,	
	2016	2015
Sales volumes:		
Jubilee	5,760	8,538
TEN	996	—
	6,756	8,538
Revenues:		
Oil sales	$ 310,377	$ 446,696
Average sales price per Bbl	45.94	52.32
Costs:		
Oil production, excluding workovers	$ 119,758	$ 92,994
Oil production, workovers	(391)	12,342
Total oil production costs	$ 119,367	$ 105,336
Depletion and depreciation	$ 140,404	$ 155,966
Average cost per Bbl:		
Oil production, excluding workovers	$ 17.73	$ 10.89
Oil production, workovers	(0.06)	1.45
Total oil production costs	17.67	12.34
Depletion and depreciation	20.78	18.27
Oil production cost and depletion costs	$ 38.45	$ 30.61

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

Year Ended December 31, 2017 vs. 2016

	Years Ended December 31,		Increase
	2017	2016	(Decrease)
	(In thousands)		
Revenues and other income:			
Oil and gas revenue	$ 578,139	$ 310,377	$ 267,762
Gain on sale of assets	—	—	—
Other income, net	58,697	74,978	(16,281)
Total revenues and other income	636,836	385,355	251,481
Costs and expenses:			
Oil and gas production	126,850	119,367	7,483
Facilities insurance modifications, net	(820)	14,961	(15,781)
Exploration expenses	216,050	202,280	13,770
General and administrative	68,302	87,623	(19,321)
Depletion and depreciation	255,203	140,404	114,799
Interest and other financing costs, net	77,595	44,147	33,448
Derivatives, net	59,968	48,021	11,947
Loss on equity method investments, net	6,252	—	6,252
Other expenses, net	5,291	23,116	(17,825)
Total costs and expenses	814,691	679,919	134,772
Loss before income taxes	(177,855)	(294,564)	116,709
Income tax expense (benefit)	44,937	(10,784)	55,721
Net loss	$ (222,792)	$ (283,780)	$ 60,988

The results of operations for our equity method investments are presented in "Loss on equity method investments, net." See “Item 8. Financial Statements and Supplementary Data—Note 7—Equity Method Investments" for additional information regarding our equity method investments.

Oil and gas revenue. Oil and gas revenue increased by $267.8 million as a result of eleven cargos sold during the year ended December 31, 2017 as compared to seven cargos during the year ended December 31, 2016, and as a result of a higher realized price per barrel in 2017. We lifted and sold 10,761 MBbl at an average realized price per barrel of $53.73 in 2017 and 6,756 MBbl at an average realized price per barrel of $45.94 in 2016.

Other income. Other income, net decreased by $16.3 million as we recognized $58.7 million of LOPI proceeds, net during the year ended December 31, 2017 related to the turret bearing issue on the Jubilee FPSO compared to $74.8 million of LOPI proceeds in the previous year. The LOPI claim was finalized in June 2017.

Oil and gas production. Oil and gas production costs increased by $7.5 million during the year ended December 31, 2017 as compared to the year ended December 31, 2016 as a result of lower LOPI claim insurance proceeds recognized during the year ended December 31, 2017 partially offset by accrual adjustments from the Jubilee and TEN fields operator. The LOPI claim was finalized in June 2017.

Facilities insurance modifications, net. During the year ended December 31, 2017, we incurred $19.7 million of facilities insurance modification costs associated with the long-term solution to the turret bearing issue. These costs were offset by $20.5 million of hull and machinery insurance proceeds received during the year ended December 31, 2017 resulting in a credit of $0.8 million. During the year ended December 31, 2016, we incurred $15.0 million of facilities insurance modifications costs associated with the long-term solution to the turret bearing issue with no insurance recoveries.

Exploration expenses. Exploration expenses increased by $13.8 million during the year ended December 31, 2017, as compared to the year ended December 31, 2016. The increase is primarily a result of higher geological and geophysical costs plus unsuccessful well costs of $43.2 million partially offset by $14.5 million of lower seismic costs and $19.0 million of lower rig related costs incurred during the year ended December 31, 2017 as compared with the year ended December 31, 2016.

General and administrative. General and administrative costs decreased by $19.3 million during the year ended December 31, 2017, as compared to the year ended December 31, 2016. The decrease is primarily a result of carried costs associated with the BP transactions and accrual adjustments from the Jubilee and TEN fields operator.

Depletion and depreciation. Depletion and depreciation increased $114.8 million during the year ended December 31, 2017, as compared with the year ended December 31, 2016, primarily as a result of depletion recognized related to the sale of eleven cargos of oil during 2017, as compared to seven cargos during the prior year.

Interest and other financing costs, net. Interest and other financing costs, net increased by $33.4 million primarily a result of TEN fields coming online in August 2016, which resulted in a $29.5 million decrease in capitalized interest during 2017.

Derivatives, net. During the years ended December 31, 2017 and 2016, we recorded losses of $60.0 million and $48.0 million, respectively, on our outstanding hedge positions. The losses recorded were a result of increases in the forward curve of oil prices during the respective periods.

Loss on equity method investments, net. Loss on equity method investments, net increased by $6.3 million during the year ended December 31, 2017 primarily a result of $11.5 million loss recognized on our equity method investment in KBSL offset by a $5.2 million gain recognized on our equity method investment in KTIPI.

Other expenses, net. Other expenses, net decreased by $17.8 million during the year ended December 31, 2017 primarily a result of a $6.3 million decrease in disputed charges and related costs and a $14.0 million decrease in inventory impairments partially offset by $3.5 million in insurance settlements related to the riser claim in 2016.

Income tax expense (benefit). The Company's effective tax rates for the years ended December 31, 2017 and 2016 were 25% and 4%, respectively. The effective tax rates for the periods presented were impacted by losses, primarily related to exploration expenses, incurred in jurisdictions in which we are not subject to taxes and losses incurred in jurisdictions in which we have valuation allowances against our deferred tax assets and therefore we do not realize any tax benefit on such expenses or losses as well as the impact of the changes in U.S. income tax law. The effective tax rate in Ghana is impacted by timing of non-deductible expenditures incurred associated with the damage to the turret bearing, due to the expected recovery from insurance proceeds. Any such insurance recoveries would not be subject to income tax. Income tax expense increased by $55.7 million during the year ended December 31, 2017, as compared with the year ended December 31, 2016, primarily as a result of higher oil revenue in Ghana and mark-to-market gains on our oil derivatives and the impact of changes in U.S. tax law, partially offset by higher depletion and depreciation associated with TEN production.

Year Ended December 31, 2016 vs. 2015

	Years Ended December 31,		Increase
	2016	2015	(Decrease)
	(In thousands)		
Revenues and other income:			
Oil and gas revenue	$ 310,377	$ 446,696	$ (136,319)
Gain on sale of assets	—	24,651	(24,651)
Other income	74,978	209	74,769
Total revenues and other income	385,355	471,556	(86,201)
Costs and expenses:			
Oil and gas production	119,367	105,336	14,031
Facilities insurance modifications	14,961	—	14,961
Exploration expenses	202,280	156,203	46,077
General and administrative	87,623	136,809	(49,186)
Depletion and depreciation	140,404	155,966	(15,562)
Interest and other financing costs, net	44,147	37,209	6,938
Derivatives, net	48,021	(210,649)	258,670
Other expenses, net	23,116	5,246	17,870
Total costs and expenses	679,919	386,120	293,799
Income (loss) before income taxes	(294,564)	85,436	(380,000)
Income tax expense (benefit)	(10,784)	155,272	(166,056)
Net loss	$ (283,780)	$ (69,836)	$ (213,944)

Oil and gas revenue. Oil and gas revenue decreased by $136.3 million as a result of seven cargos sold during the year ended December 31, 2016 as compared to nine cargos during the year ended December 31, 2015, and as a result of a lower realized price per barrel. We lifted and sold 6,756 MBbl at an average realized price per barrel of $45.94 in 2016 and 8,538 MBbl at an average realized price per barrel of $52.32 in 2015.

Gain on sale of assets. During the year ended December 31, 2015, we closed a farm-out agreement with Chevron. As part of the transaction, we received proceeds in excess of our book basis, resulting in a gain of $24.7 million.

Other income. During the year ended December 31, 2016, we recognized $74.8 million of LOPI proceeds related to the turret bearing issue on the Jubilee FPSO.

Oil and gas production. Oil and gas production costs increased by $14.0 million during the year ended December 31, 2016 as compared to the year ended December 31, 2015. The 2016 costs were impacted by increased costs associated with the new operating procedures related to the turret bearing issue while the 2015 costs were impacted by higher workover costs in the Jubilee Field.

Facilities insurance modifications. During the year ended December 31, 2016, we incurred $15.0 million of facilities modification costs associated with the long-term solution to convert the FPSO to a permanently spread moored facility which we expect to substantially recover from our insurance policy.

Exploration expenses. Exploration expenses increased by $46.1 million during the year ended December 31, 2016, as compared to the year ended December 31, 2015. The increase is primarily a result of $107.7 million of stacked rig costs in 2016 and an increase of $31.5 million in seismic and geological and geophysical costs partially mitigated by $94.0 million of unsuccessful well costs in 2015 primarily for the Western Sahara CB-1 exploration well.

General and administrative. General and administrative costs decreased by $49.2 million during the year ended December 31, 2016, as compared to the year ended December 31, 2015. The decrease is primarily a result of a decrease in non-cash stock-based compensation and effective cost control.

Depletion and depreciation. Depletion and depreciation decreased $15.6 million during the year ended December 31, 2016, as compared with the year ended December 31, 2015, primarily as a result of depletion recognized related to the sale of seven cargos of oil during 2016, as compared to nine cargos during the prior year.

Interest and other financing costs, net. Interest expense increased by $6.9 million during the year ended December 31, 2016, as compared to the year ended December 31, 2015. Higher gross interest costs on a larger debt balance and a full year of interest in 2016 on the 2021 Senior Notes totaling $14.2 million were partially offset by $7.4 million of higher capitalized interest during the current year as compared to the prior year.

Derivatives, net. During the years ended December 31, 2016 and 2015, we recorded a loss of $48.0 million and a gain of $210.6 million, respectively, on our outstanding hedge positions. The loss recorded in 2016 was a result of increases in the forward oil price curve and the gain recorded in 2015 was a result of decreases in the forward oil price curve.

Other expenses, net. Other expenses, net increased by $17.9 million during the year ended December 31, 2016, as compared to the year ended December 31, 2015, primarily as a result of a $14.9 million inventory write off and $11.3 million in disputed charges and related costs offset by $4.0 million of insurance proceeds related to the damaged riser.

Income tax expense (benefit). The Company's effective tax rates for the years ended December 31, 2016 and 2015 were a tax benefit of 4% and a tax expense of 182%, respectively. The effective tax rates for the periods presented were impacted by losses, primarily related to exploration expenses, incurred in jurisdictions in which we are not subject to taxes and losses incurred in jurisdictions in which we have valuation allowances against our deferred tax assets and therefore we do not realize any tax benefit on such expenses or losses. The effective tax rate in Ghana is impacted by non-deductible expenditures associated with the damage to the turret bearing which we expect to recover from insurance proceeds. Any such insurance recoveries would not be subject to income tax. Income tax expense decreased by $166.1 million during the year ended December 31, 2016, as compared with the year ended December 31, 2015, primarily as a result of lower revenue in Ghana.

Liquidity and Capital Resources

We are actively engaged in an ongoing process of anticipating and meeting our funding requirements related to exploring for and developing oil and natural gas resources along the Atlantic Margins. We have historically met our funding requirements through cash flows generated from our operating activities and obtained additional funding from issuances of equity and debt as well as partner carries. In relation to cash flow generated from our operating activities, if we are unable to continuously export associated natural gas in large quantities, which causes potential production restraints, then the Company's cash flows from operations will be adversely affected. In the past, we have experienced equipment failures, and we are currently working to fully remediate the turret bearing issue on the Jubilee FPSO. This equipment downtime negatively impacted oil production, and we are in the process of repairing the current mechanical issues and implementing a long-term solution for the turret bearing issue.

While we are presently in a strong financial position, a future decline in oil prices, if prolonged, could negatively impact our ability to generate sufficient operating cash flows to meet our funding requirements. It could also impact the borrowing base available under the Facility or the related debt covenants. Commodity prices are volatile and future prices cannot be accurately predicted. We maintain a hedging program to partially mitigate the price volatility. Our investment decisions are based on longer-term commodity prices based on the long-term nature of our projects and development plans. Also, BP has agreed to partially carry our exploration, appraisal and development program in Mauritania and Senegal over the next several years. Current commodity prices, our hedging program, partner carries and our current liquidity position support our capital program for 2018.

As such, our 2018 capital budget is based on our development plans for Ghana and our exploration and appraisal program.

Our future financial condition and liquidity can be impacted by, among other factors, the success of our exploration and appraisal drilling program, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, the reliability of our oil and gas production facilities, our ability to continuously export oil and gas, our ability to secure and maintain partners and their alignment with respect to capital plans, the actual cost of exploration, appraisal and development of our oil and natural gas assets, and coverage of any claims under our insurance policies.

As part of the Facility amendment and restatement process, the lenders approved a redetermination, setting the borrowing base under our Facility at $1.5 billion (effective February 22, 2018). The borrowing base calculation includes value related to the Jubilee, TEN, Ceiba and Okume fields.

Sources and Uses of Cash

The following table presents the sources and uses of our cash and cash equivalents for the years ended December 31, 2017, 2016 and 2015:

	Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Sources of cash, cash equivalents and restricted cash:			
Net cash provided by operating activities	$ 236,617	$ 52,077	$ 440,779
Net proceeds from issuance of senior secured notes	—	—	206,774
Borrowings under long-term debt	200,000	450,000	100,000
Proceeds on sale of assets	222,068	210	28,692
	658,685	502,287	776,245
Uses of cash, cash equivalents and restricted cash:			
Oil and gas assets	140,495	535,975	823,642
Other property	2,858	1,998	1,483
Equity method investment	231,280	—	—
Payments on long-term debt	250,000	—	200,000
Purchase of treasury stock	2,194	1,981	18,110
Deferred financing costs	67	—	9,030
	626,894	539,954	1,052,265
Increase (decrease) in cash, cash equivalents and restricted cash	$ 31,791	$ (37,667)	$ (276,020)

Net cash provided by operating activities. Net cash provided by operating activities in 2017 was $236.6 million compared with net cash provided by operating activities of $52.1 million in 2016 and $441 million in 2015, respectively. The increase in cash provided by operating activities in the year ended December 31, 2017 when compared to the same period in 2016 is primarily a result of an increase in oil and gas revenue combined with LOPI proceeds, net and a decrease in exploration expense related to the stacked rig costs and rig option cancellation payment as well as a decrease in derivative cash settlements. The decrease in cash provided by operating activities in the year ended December 31, 2016 when compared to the same period in 2015 was primarily a result of a decrease in results from operations driven by lower barrels sold related to the turret bearing issue and lower realized revenue per barrel sold.

The following table presents our liquidity and financial position as of December 31, 2017:

	December 31, 2017
	(In thousands)
Cash and cash equivalents	$ 233,412
Restricted cash	71,574
Senior Notes at par	525,000
Drawings under the Facility	800,000
Net debt	$ 1,020,014
Availability under the Facility	$ 500,811
Availability under the Corporate Revolver	$ 400,000
Available borrowings plus cash and cash equivalents	$ 1,134,223

Capital Expenditures and Investments

We expect to incur capital costs as we:

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

We have relied on a number of assumptions in budgeting for our future activities. These include the number of wells we plan to drill, our participating and carried interests in our prospects including disproportionate payment amounts, the costs involved in developing or participating in the development of a prospect, the timing of third-party projects, our ability to utilize our available drilling rig capacity, the availability of suitable equipment and qualified personnel and our cash flows from operations. We also evaluate potential corporate and asset acquisition opportunities to support and expand our asset portfolio which may impact our budget assumptions. These assumptions are inherently subject to significant business, political, economic, regulatory, environmental and competitive uncertainties, contingencies and risks, all of which are difficult to predict and many of which are beyond our control. We may need to raise additional funds more quickly if market conditions deteriorate; or one or more of our assumptions proves to be incorrect or if we choose to expand our acquisition, exploration, appraisal, development efforts or any other activity more rapidly than we presently anticipate. We may decide to raise additional funds before we need them if the conditions for raising capital are favorable. We may seek to sell equity or debt securities or obtain additional bank credit facilities. The sale of equity securities could result in dilution to our shareholders. The incurrence of additional indebtedness could result in increased fixed obligations and additional covenants that could restrict our operations.

2018 *Capital Program*

We estimate we will spend approximately $300 million of capital, net of carry amounts related to the Mauritania and Senegal transactions with BP, for the year ending December 31, 2018. This capital expenditure budget consists of:

- approximately $110 million for developmental related expenditures offshore Ghana, largely focused on additional drilling in the Jubilee and TEN fields;
- approximately $50 million for exploration and appraisal activities, including drilling two exploration wells in Suriname;
- approximately $80 million related to seismic acquisition and processing across our portfolio to mature drilling opportunities;
- approximately $50 million for new ventures; and
- approximately $10 million related to corporate and other capital expenditures.

The ultimate amount of capital we will spend may fluctuate materially based on market conditions and the success of our drilling results among other factors. Our future financial condition and liquidity will be impacted by, among other factors, our level of production of oil and the prices we receive from the sale of oil, our ability to effectively hedge future production volumes, the success of our exploration and appraisal drilling program, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, our partners' alignment with respect to capital plans, and the actual cost of exploration, appraisal and development of our oil and natural gas assets, and coverage of any claims under our insurance policies.

Significant Sources of Capital

Facility

As of December 31, 2017, borrowings under the Facility totaled $800.0 million including $200 million drawn for the KTIPI investment, and the undrawn availability under the Facility was $500.8 million.

In February 2018, the Company amended and restated the Facility with a total commitment of $1.5 billion from a number of financial institutions with additional commitments up to $0.5 billion being available if the existing financial institutions increase their commitments or if commitments from new financial institutions are added. The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities. As part of the debt refinancing in February 2018, the repayment of borrowings under the existing facility attributable to financial institutions that did not participate in the amended Facility was accounted for as an extinguishment of debt, and $5.7 million of existing unamortized debt issuance costs attributable to those participants were expensed in the first quarter of 2018. As of December 31, 2017, we have $23.6 million of unamortized issuance costs related to the Facility, which will be amortized over the remaining term of the Facility, excluding the $5.7 million expensed in the first quarter of 2018.

As part of the amendment and restatement process, the lenders approved a redetermination, setting the borrowing base under our Facility at $1.5 billion (effective February 22, 2018). The borrowing base calculation includes value related to the Jubilee, TEN, Ceiba and Okume fields. The following amendments to the terms of the existing facility, subject to certain conditions and exceptions, include without limitation:

- the extension of the maturity date to March 31, 2025 (unless otherwise terminated pursuant to the amended and restated Facility);
- the extension of the amortization schedule such that amortization of principal is to commence in March 31, 2022 and continue in equal amounts every six months thereafter until the maturity date;
- commitment fees lowered from 40% to 30% of the applicable interest margin;
- maintaining interest margin at LIBOR plus 3.25% for the next four years;
- the inclusion of the Company's recently acquired producing assets in Equatorial Guinea in the calculation of borrowing base amounts as well as the Company's option to include the Greater Tortue development in the future following final investment decision, up to $500 million in the aggregate; and
- the addition of Kosmos Energy Finance International, Kosmos Energy Investments Senegal Limited, Kosmos Energy Equatorial Guinea, Kosmos Energy Senegal and Kosmos Energy Mauritania as additional guarantors and pledged subsidiaries.

Interest is the aggregate of the applicable margin (3.25% to 4.50%, depending on the length of time that has passed from the date the Facility was entered into) and LIBOR. Interest is payable on the last day of each interest period (and, if the interest period is longer than six months, on the dates falling at six-month intervals after the first day of the interest period). We pay commitment fees on the undrawn and unavailable portion of the total commitments, if any. Commitment fees are equal to 30% per annum of the then-applicable respective margin when a commitment is available for utilization and, equal to 20% per annum of the then-applicable respective margin when a commitment is not available for utilization. We recognize interest expense in accordance with ASC 835—Interest, which requires interest expense to be recognized using the effective interest method. We determined the effective interest rate based on the estimated level of borrowings under the Facility.

The Facility provides a revolving credit and letter of credit facility. The availability period for the revolving- credit facility, as amended in February 2018 expires one month prior to the final maturity date. The letter of credit facility expires on the final maturity date. The available facility amount is subject to borrowing base constraints and, beginning on March 31, 2022, outstanding borrowings will be constrained by an amortization schedule. The Facility has a final maturity date of March 31, 2025. As of December 31, 2017, we had no letters of credit issued under the Facility.

We have the right to cancel all the undrawn commitments under the Facility. The amount of funds available to be borrowed under the Facility, also known as the borrowing base amount, is determined each year on March 31. The borrowing base amount is based on the sum of the net present values of net cash flows and relevant capital expenditures reduced by certain percentages as well as value attributable to certain assets' reserves and/or resources in Ghana and Equatorial Guinea.

If an event of default exists under the Facility, the lenders can accelerate the maturity and exercise other rights and remedies, including the enforcement of security granted pursuant to the Facility over certain assets held by our subsidiaries. The Facility contains customary cross default provisions.

We were in compliance with the financial covenants contained in the Facility as of September 30, 2017 (the most recent assessment date), which requires the maintenance of:

- the field life cover ratio (as defined in the glossary), not less than 1.30x; and

- the loan life cover ratio (as defined in the glossary), not less than 1.10x; and
- the debt cover ratio (as defined in the glossary), not more than 3.5x; and
- the interest cover ratio (as defined in the glossary), not less than 2.25x.

Corporate Revolver

In November 2012, we secured a Corporate Revolver from a number of financial institutions which, as amended in June 2015, has an availability of $400.0 million. The Corporate Revolver is available for all subsidiaries for general corporate purposes and for oil and gas exploration, appraisal and development programs.

As of December 31, 2017, there were no borrowings outstanding under the Corporate Revolver and the undrawn availability under the Corporate Revolver was $400.0 million.

Interest is the aggregate of the applicable margin (6.0%), LIBOR and mandatory cost (if any, as defined in the Corporate Revolver). Interest is payable on the last day of each interest period (and, if the interest period is longer than six months, on the dates falling at six-month intervals after the first day of the interest period). We pay commitment fees on the undrawn portion of the total commitments. Commitment fees, as amended in June 2015, for the lenders are equal to 30% per annum of the respective margin when a commitment is available for utilization.

The Corporate Revolver, as amended in June 2015, expires on November 23, 2018. The available amount is not subject to borrowing base constraints. We have the right to cancel all the undrawn commitments under the Corporate Revolver. We are required to repay certain amounts due under the Corporate Revolver with sales of certain subsidiaries or sales of certain assets. If an event of default exists under the Corporate Revolver, the lenders can accelerate the maturity and exercise other rights and remedies, including the enforcement of security granted pursuant to the Corporate Revolver over certain assets held by us. The Corporate Revolver contains customary cross default provisions.

We were in compliance with the financial covenants contained in the Corporate Revolver as of September 30, 2017 (the most recent assessment date), which requires the maintenance of:

- the debt cover ratio (as defined in the glossary), not more than 3.5x; and
- the interest cover ratio (as defined in the glossary), not less than 2.25x.

The U.S. and many foreign economies continue to experience uncertainty driven by varying macroeconomic conditions. Although some of these economies have shown signs of improvement, macroeconomic recovery remains uneven. Uncertainty in the macroeconomic environment and associated global economic conditions have resulted in extreme volatility in credit, equity, and foreign currency markets, including the European sovereign debt markets and volatility in various other markets. If any of the financial institutions within our Facility or Corporate Revolver are unable to perform on their commitments, our liquidity could be impacted. We actively monitor all of the financial institutions participating in our Facility and Corporate Revolver. None of the financial institutions have indicated to us that they may be unable to perform on their commitments. In addition, we periodically review our banking and financing relationships, considering the stability of the institutions and other aspects of the relationships. Based on our monitoring activities, we currently believe our banks will be able to perform on their commitments.

Revolving Letter of Credit Facility

In July 2013, we entered into a revolving letter of credit facility agreement ("LC Facility"). The size of the LC Facility is $75.0 million, as amended in July 2015, with additional commitments up to $50.0 million being available if the existing lender increases its commitments or if commitments from new financial institutions are added. The LC Facility provides that we shall maintain cash collateral in an amount equal to at least 75% of all outstanding letters of credit under the LC Facility, provided that during the period of any breach of certain financial covenants, the required cash collateral amount shall increase to 100%.

In July 2016, we amended and restated the LC Facility, extending the maturity date to July 2019. Other amendments included increasing the margin from 0.5% to 0.8% per annum on amounts outstanding, adding a commitment fee payable quarterly in arrears at an annual rate equal to 0.65% on the available commitment amount and providing for issuance fees to be payable to the lender per new issuance of a letter of credit. We may voluntarily cancel any commitments available under the LC Facility at any time. During the first quarter of 2017, the LC Facility size was increased to $115.0 million and in April 2017, we reduced the size of our LC Facility to $70 million. In February 2018, the LC Facility was increased to $73 million to facilitate the issuance of additional letters of credit. As of December 31, 2017, there were eight outstanding letters of credit totaling $60.3 million under the LC Facility. The LC Facility contains customary cross default provisions.

7.875% Senior Secured Notes due 2021

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

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

The Senior Notes mature on August 1, 2021. Interest is payable semi-annually in arrears each February 1 and August 1 commencing on February 1, 2015 for the initial $300.0 million Senior Notes and August 1, 2015 for the additional $225.0 million Senior Notes. The Senior Notes are secured (subject to certain exceptions and permitted liens) by a first ranking fixed equitable charge on all shares held by us in our direct subsidiary, Kosmos Energy Holdings. The Senior Notes are currently guaranteed on a subordinated, unsecured basis by our existing restricted subsidiaries that guarantee the Facility and the Corporate Revolver, and, in certain circumstances, the Senior Notes will become guaranteed by certain of our other existing or future restricted subsidiaries (the "Guarantees").

Redemption and Repurchase. On or after August 1, 2017, the Company may redeem all or a part of the Senior Notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest:

Year	Percentage
On or after August 1, 2017, but before August 1, 2018	103.9%
On or after August 1, 2018, but before August 1, 2019	102.0%
On or after August 1, 2019 and thereafter	100.0%

We may also redeem the Senior Notes in whole, but not in part, at any time if changes in tax laws impose certain withholding taxes on amounts payable on the Senior Notes at a price equal to the principal amount of the Senior Notes plus accrued interest and additional amounts, if any, as may be necessary so that the net amount received by each holder after any withholding or deduction on payments of the Senior Notes will not be less than the amount such holder would have received if such taxes had not been withheld or deducted.

Upon the occurrence of a change of control triggering event as defined under the Indenture, the Company will be required to make an offer to repurchase the Senior Notes at a repurchase price equal to 101% of the principal amount, plus accrued and unpaid interest to, but excluding, the date of repurchase.

If we sell assets, under certain circumstances outlined in the Indenture, we will be required to use the net proceeds to make an offer to purchase the Senior Notes at an offer price in cash in an amount equal to 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest to, but excluding, the repurchase date.

Covenants. The Indenture restricts our ability and the ability of our restricted subsidiaries to, among other things: incur or guarantee additional indebtedness, create liens, pay dividends or make distributions in respect of capital stock, purchase or redeem capital stock, make investments or certain other restricted payments, sell assets, enter into agreements that restrict the ability of our subsidiaries to make dividends or other payments to us, enter into transactions with affiliates, or effect certain consolidations, mergers or amalgamations. These covenants are subject to a number of important qualifications and exceptions. Certain of these covenants will be terminated if the Senior Notes are assigned an investment grade rating by both Standard & Poor's Rating Services and Fitch Ratings Inc. and no default or event of default has occurred and is continuing.

Collateral. The Senior Notes are secured (subject to certain exceptions and permitted liens) by a first ranking fixed equitable charge on all currently outstanding shares, additional shares, dividends or other distributions paid in respect of such shares or any other property derived from such shares, in each case held by us in relation to the Company's direct subsidiary, Kosmos Energy Holdings, pursuant to the terms of the Charge over Shares of Kosmos Energy Holdings dated November 23, 2012, as amended and restated on March 14, 2014, between the Company and BNP Paribas as Security and Intercreditor Agent. The Senior Notes share *pari passu* in the benefit of such equitable charge based on the respective amounts of the obligations under the Indenture and the amount of obligations under the Corporate Revolver. The Guarantees are not secured.

Contractual Obligations

The following table summarizes by period the payments due for our estimated contractual obligations as of December 31, 2017:

	Payments Due By Year(4)						
	Total	2018	2019	2020	2021	2022	Thereafter
Principal debt repayments(1)	$ 1,325,000	$ —	$ 200,377	$ 404,971	$ 719,652	$ —	$ —
Interest payments on long-term debt(2)	293,194	93,603	85,846	68,457	45,288	—	—
Operating leases(3)	12,626	4,981	4,370	484	419	418	1,954

(1) Includes the scheduled principal maturities for the $525.0 million aggregate principal amount of Senior Notes issued in August 2014 and April 2015 and the Facility. The scheduled maturities of debt related to the Facility are based on the level of borrowings and the estimated future available borrowing base as of December 31, 2017. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter. As of December 31, 2017, there were no borrowings under the Corporate Revolver.

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

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

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

We currently have a commitment to drill one exploration well in Mauritania. In Mauritania, our partner is obligated to fund our share of the cost of the exploration well, subject to their maximum $228 million cumulative exploration and appraisal carry covering both our Mauritania and Senegal blocks. In Equatorial Guinea, Mauritania and Cote d'Ivoire, we have 3D seismic requirements of approximately 6,000 square kilometers, 7,600 square kilometers and 12,000 square kilometers, respectively.

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

	Years Ending December 31,						Asset (Liability) Fair Value at December 31,
	2018	2019	2020	2021	2022	Thereafter	2017
	(In thousands, except percentages)						
Fixed rate debt:							
Senior Notes	$ —	$ —	$ —	$ 525,000	$ —	$ —	$ (542,472)
Fixed interest rate	7.88%	7.88%	7.88%	7.88%	—	—	
Variable rate debt:							
Facility(1)	$ —	$ 200,377	$ 404,971	$ 194,652	$ —	$ —	$ (800,000)
Weighted average interest rate(2)	5.40%	5.87%	6.43%	6.69%	—	—	
Capped interest rate swaps:							
Notional debt amount ($200,000)	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,017
Cap	3.00%	—	—	—	—	—	
Average fixed rate payable(3)	1.23%	—	—	—	—	—	
Variable rate receivable(4)	1.77%	—	—	—	—	—	

(1) The amounts included in the table represent principal maturities only. The scheduled maturities of debt are based on the level of borrowings and the available borrowing base as of December 31, 2017. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter. As of December 31, 2017, there were no borrowings under the Corporate Revolver.

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

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

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

Off-Balance Sheet Arrangements

We may enter into off-balance sheet arrangements and transactions that can give rise to material off-balance sheet obligations. As of December 31, 2017, our material off-balance sheet arrangements and transactions include operating leases and undrawn letters of credit. There are no other transactions, arrangements, or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect Kosmos' liquidity or availability of or requirements for capital resources.

Critical Accounting Policies

This discussion of financial condition and results of operations is based upon the information reported in our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of our financial statements requires us to make assumptions and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities as of the date the financial statements are available to be issued. We base our assumptions and estimates on historical experience and other sources that we believe to be reasonable at the time. Actual results may vary from our estimates. Our significant accounting policies are detailed in "Item 8. Financial Statements and Supplementary Data—Note 2—Accounting Policies." We have outlined below certain

accounting policies that are of particular importance to the presentation of our financial position and results of operations and require the application of significant judgment or estimates by our management.

Revenue Recognition. We use the sales method of accounting for oil and gas revenues. Under this method, we recognize revenues on the volumes sold based on the provisional sales prices. The volumes sold may be more or less than the volumes to which we are entitled based on our ownership interest in the property. These differences result in a condition known in the industry as a production imbalance. A receivable or liability is recognized only to the extent that we have an imbalance on a specific property greater than the expected remaining proved reserves on such property. As of December 31, 2017 and 2016, we had no oil and gas imbalances recorded in our consolidated financial statements.

Our oil and gas revenues are based on provisional price contracts which contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from oil sales at the spot price on the date of sale. The embedded derivative, which is not designated as a hedge for accounting purposes, is marked to market through oil and gas revenue each period until the final settlement occurs, which generally is limited to the month after the sale occurs.

Exploration and Development Costs. We follow the successful efforts method of accounting for our oil and gas properties. Acquisition costs for proved and unproved properties are capitalized when incurred. Costs of unproved properties are transferred to proved properties when a determination that proved reserves have been found. Exploration costs, including geological and geophysical costs and costs of carrying unproved properties, are charged to expense as incurred. Exploratory drilling costs are capitalized when incurred. If exploratory wells are determined to be commercially unsuccessful or dry holes, the applicable costs are expensed. Costs incurred to drill and equip development wells, including unsuccessful development wells, are capitalized. Costs incurred to operate and maintain wells and equipment and to lift crude oil and natural gas to the surface are expensed.

Receivables. Our receivables consist of joint interest billings, oil sales and other receivables. For our oil sales receivable, we require a letter of credit to be posted to secure the outstanding receivable. Receivables from joint interest owners are stated at amounts due, net of any allowances for doubtful accounts. We determine our allowance by considering the length of time past due, future net revenues of the debtor's ownership interest in oil and natural gas properties we operate, and the owner's ability to pay its obligation, among other things.

Income Taxes. We account for income taxes as required by the ASC 740—Income Taxes ("ASC 740"). We make certain estimates and judgments in determining our income tax expense for financial reporting purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities that arise from differences in the timing and recognition of revenue and expense for tax and financial reporting purposes. Our federal, state and international tax returns are generally not prepared or filed before the consolidated financial statements are prepared; therefore, we estimate the tax basis of our assets and liabilities at the end of each period as well as the effects of changes in tax laws or tax rates, tax credits, and net operating loss carryforwards. Adjustments related to these estimates are recorded in our tax provision in the period in which we file our income tax returns. Further, we must assess the likelihood that we will be able to realize or utilize our deferred tax assets. If realization is not more likely than not, we must record a valuation allowance against such deferred tax assets for the amount we would not expect to recover, which would result in no benefit for the deferred tax amounts. As of December 31, 2017 and 2016, we have a valuation allowance to reduce certain deferred tax assets to amounts that are more likely than not to be realized. If our estimates and judgments regarding our ability to realize our deferred tax assets change, the benefits associated with those deferred tax assets may increase or decrease in the period our estimates and judgments change. On a quarterly basis, management evaluates the need for and adequacy of valuation allowances based on the expected realizability of the deferred tax assets and adjusts the amount of such allowances, if necessary.

ASC 740 provides a more-likely-than-not standard in evaluating whether a valuation allowance is necessary after weighing all of the available evidence. When evaluating the need for a valuation allowance, we consider all available positive and negative evidence, including the following:

- the status of our operations in the particular taxing jurisdiction, including whether we have commenced production from a commercial discovery;
- whether a commercial discovery has resulted in significant proved reserves that have been independently verified;
- the amounts and history of taxable income or losses in a particular jurisdiction;
- projections of future income, including the sensitivity of such projections to changes in production volumes and prices;
- the existence, or lack thereof, of statutory limitations on the period that net operating losses may be carried forward in a jurisdiction; and

- the creation and timing of future income associated with the reversal of deferred tax liabilities in excess of deferred tax assets.

Derivative Instruments and Hedging Activities. We utilize oil derivative contracts to mitigate our exposure to commodity price risk associated with our anticipated future oil production. These derivative contracts consist of collars, put options, call options and swaps. We also use interest rate derivative contracts to mitigate our exposure to interest rate fluctuations related to our long-term debt. Our derivative financial instruments are recorded on the balance sheet as either assets or a liabilities measured at fair value. We do not apply hedge accounting to our oil derivative contracts. Effective June 1, 2010, we discontinued hedge accounting on our interest rate swap contracts and accordingly the changes in the fair value of the instruments are recognized in earnings in the period of change. The effective portions of the discontinued hedges as of May 31, 2010, were included in accumulated other comprehensive income or loss ("AOCI") in the equity section of the accompanying consolidated balance sheets, and were transferred to earnings when the hedged transactions settled.

Estimates of Proved Oil and Natural Gas Reserves. Reserve quantities and the related estimates of future net cash flows affect our periodic calculations of depletion and assessment of impairment of our oil and natural gas properties. Proved oil and natural gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future periods from known reservoirs under existing economic and operating conditions. As additional proved reserves are discovered, reserve quantities and future cash flows will be estimated by independent petroleum consultants and prepared in accordance with guidelines established by the SEC and the FASB. The accuracy of these reserve estimates is a function of:

- the engineering and geological interpretation of available data;
- estimates of the amount and timing of future operating cost, production taxes, development cost and workover cost;
- the accuracy of various mandated economic assumptions; and
- the judgments of the persons preparing the estimates.

Asset Retirement Obligations. We account for asset retirement obligations as required by the ASC 410—Asset Retirement and Environmental Obligations. Under these standards, the fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, the liability is recognized when a reasonable estimate of fair value can be made. If a tangible long-lived asset with an existing asset retirement obligation is acquired, a liability for that obligation shall be recognized at the asset's acquisition date as if that obligation were incurred on that date. In addition, a liability for the fair value of a conditional asset retirement obligation is recorded if the fair value of the liability can be reasonably estimated. We capitalize the asset retirement costs by increasing the carrying amount of the related long-lived asset by the same amount as the liability. We record increases in the discounted abandonment liability resulting from the passage of time in depletion and depreciation in the consolidated statement of operations. Estimating the future restoration and removal costs requires management to make estimates and judgments because most of the removal obligations are many years in the future and contracts and regulations often have vague descriptions of what constitutes removal. Additionally, asset removal technologies and costs are constantly changing, as are regulatory, political, environmental, safety and public relations considerations.

Inherent in the present value calculation are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the present value of the existing asset retirement obligations, a corresponding adjustment is made to the oil and gas property balance.

Impairment of Long-Lived Assets. We review our long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. ASC 360—Property, Plant and Equipment requires an impairment loss to be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Assets to be disposed of and assets not expected to provide any future service potential to us are recorded at the lower of carrying amount or fair value less cost to sell.

We believe the assumptions used in our undiscounted cash flow analysis to test for impairment are appropriate and result in a reasonable estimate of future cash flows. The undiscounted cash flows from the analysis exceeded the carrying amount of our long-lived assets. The most significant assumptions are the pricing and production estimates used in undiscounted cash flow analysis. Where unproved reserves exist, an appropriately risk-adjusted amount of these reserves may be included in the evaluation.

In order to evaluate the sensitivity of the assumptions, we assumed a hypothetical reduction in our production profile and lower pricing during the early years which still showed no impairment. If we experience further declines in oil pricing, increases in our estimated future expenditures or a decrease in our estimated production profile our long-lived assets could be at risk for impairment.

Consolidations / Equity Method of Accounting. The Consolidated Financial Statements include the accounts of our wholly-owned subsidiaries. They also include Kosmos' share of the undivided interest in certain assets, liabilities, revenues and expenses. Investments in corporate joint ventures, which we exercise significant influence over, are accounted for using the equity method of accounting.

Equity method investments are integral to our operations. The other parties, who also have an equity interest in these companies, are independent third parties. Kosmos does not invest in these companies in order to remove liabilities from its balance sheet.

New Accounting Pronouncements

See "Item 8. Financial Statements and Supplementary Data—Note 2—Accounting Policies" for a discussion of recent accounting pronouncements.

Item 7A. Qualitative and Quantitative Disclosures About Market Risk

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

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

The following table reconciles the changes that occurred in fair values of our open derivative contracts during the year ended December 31, 2017:

	Derivative Contracts Assets (Liabilities)		
	Commodities	Interest Rates	Total
	(In thousands)		
Fair value of contracts outstanding as of December 31, 2016	$ 1,638	$ 53	$ 1,691
Changes in contract fair value	(72,470)	648	(71,822)
Contract maturities	(26,204)	316	(25,888)
Fair value of contracts outstanding as of December 31, 2017	$ (97,036)	$ 1,017	$ (96,019)

Commodity Price Risk

The Company's revenues, earnings, cash flows, capital investments and, ultimately, future rate of growth are highly dependent on the prices we receive for our crude oil, which have historically been very volatile. Our oil sales are indexed against Dated Brent crude. Dated Brent prices in 2017 ranged between approximately $44 to $67 per barrel.

Commodity Derivative Instruments

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

Commodity Price Sensitivity

The following table provides information about our oil derivative financial instruments that were sensitive to changes in oil prices as of December 31, 2017:

			Weighted Average Dated Brent Price per Bbl					Asset (Liability) Fair Value at December 31,
Term	Type of Contract	MBbl	Net Deferred Premium Payable	Swap	Sold Put	Floor	Ceiling	Call	2017(2)
2018									
January — December	Swap with puts	2,000	$ —	$ 54.32	$ 40.00	$ —	$ —	$ —	$ (20,544)
July — December	Swap with puts	2,000	—	57.96	45.00	—	—	—	(12,068)
January — June	Swaps	1,000	—	57.25	—	—	—	—	(8,390)
January — December	Three-way collars	2,913	0.74	—	41.57	56.57	65.90	—	(10,270)
January — December	Four-way collars	3,000	1.06	—	40.00	50.00	61.33	70.00	(14,554)
January — December	Sold calls(1)	2,000	—	—	—	—	65.00	—	(6,739)
2019									
January — December	Three-way collars	6,500	$ 0.18	$ —	$ 41.54	$ 51.54	$ 63.80	$ —	$ (19,750)
January — December	Two-way collars	2,000	1.62	—	—	55.00	65.00	—	(4,088)
January — December	Sold calls(1)	913	—	—	—	—	80.00	—	(633)

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

(2) Fair values are based on the average forward Dated Brent oil prices on December 31, 2017 which by year are: 2018—$64.96 and 2019—$61.00. These fair values are subject to changes in the underlying commodity price. The average forward Dated Brent oil prices based on February 21, 2018 market quotes by year are: 2018—$63.86 and 2019—$60.37.

In January 2018, we entered into three-way costless collar contracts for 1.0 MMBbl from January 2019 through December 2019 with a sold put price of $45.00, a floor price of $55.00 per barrel and a ceiling price of $72.90 per barrel. The contracts are indexed to Dated Brent prices.

In February 2018, we sold 2.0 MMBbl of put contracts from January 2019 through December 2019 with a strike of $47.50 per barrel. We used part of the proceeds to increase our upside by purchasing 1.0 MMBbl of calls in the second half of 2018 with a strike price of $70.00 per barrel. These contracts are indexed to Dated Brent prices and have a net deferred premium receivable of $3.1 million.

At December 31, 2017, our open commodity derivative instruments were in a net liability position of $97.0 million. As of December 31, 2017, a hypothetical 10% price increase in the commodity futures price curves would decrease future pre-tax earnings by approximately $95.5 million. Similarly, a hypothetical 10% price decrease would increase future pre-tax earnings by approximately $89.5 million.

Interest Rate Derivative Instruments

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

Interest Rate Sensitivity

At December 31, 2017, we had indebtedness outstanding under the Facility of $800.0 million, of which $600.0 million bore interest at floating rates after consideration of our fixed rate interest rate hedges. The interest rate on this indebtedness as of December 31, 2017 was approximately 4.6%. If LIBOR increased 10% at this level of floating rate debt, we would pay an additional $0.8 million in interest expense per year on the Facility. We pay commitment fees on the $500.8 million of undrawn availability and $199.2 million of unavailable commitments under the Facility and on the $400.0 million of undrawn availability under the Corporate Revolver at December 31, 2017, which are not subject to changes in interest rates.

As of December 31, 2017, the fair market value of our interest rate swaps was a net asset of approximately $1.0 million. If LIBOR increased by 10%, we estimate it would have a negligible impact on the fair market value of our interest rate swaps.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Kosmos Energy Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kosmos Energy Ltd. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedules listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2004.

Dallas, Texas
February 26, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Kosmos Energy Ltd.

Opinion on Internal Control over Financial Reporting

We have audited Kosmos Energy Ltd.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Kosmos Energy Ltd (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2017 consolidated financial statements of the Company and our report dated February 26, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Dallas, Texas
February 26, 2018

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KOSMOS ENERGY LTD.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31,	
	2017	**2016**
Assets		
Current assets:		
Cash and cash equivalents	$ 233,412	$ 194,057
Restricted cash	56,380	24,506
Receivables:		
Joint interest billings, net	134,565	63,249
Oil sales	—	54,195
Related party	780	—
Other	25,616	25,893
Inventories	71,861	74,380
Prepaid expenses and other	9,306	7,209
Derivatives	1,682	31,698
Total current assets	533,602	475,187
Property and equipment:		
Oil and gas properties, net	2,310,973	2,700,889
Other property, net	6,855	8,003
Property and equipment, net	2,317,828	2,708,892
Other assets:		
Equity method investment	236,514	—
Restricted cash	15,194	54,632
Long-term receivables - joint interest billings	34,941	45,663
Deferred financing costs, net of accumulated amortization of $13,951 and $11,213 at December 31, 2017 and December 31, 2016, respectively	2,510	5,248
Long-term deferred tax assets	22,517	37,827
Derivatives	39	3,808
Other	29,458	10,208
Total assets	$ 3,192,603	$ 3,341,465
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 141,787	$ 220,627
Accrued liabilities	219,412	129,706
Derivatives	67,531	19,692
Total current liabilities	428,730	370,025
Long-term liabilities:		
Long-term debt, net	1,282,797	1,321,874
Derivatives	30,209	14,123
Asset retirement obligations	66,595	63,574
Deferred tax liabilities	476,548	482,221
Other long-term liabilities	10,612	8,449
Total long-term liabilities	1,866,761	1,890,241
Shareholders' equity:		
Preference shares, $0.01 par value; 200,000,000 authorized shares; zero issued at December 31, 2017 and December 31, 2016	—	—
Common shares, $0.01 par value; 2,000,000,000 authorized shares; 398,599,457 and 395,859,061 issued at December 31, 2017 and December 31, 2016, respectively	3,986	3,959
Additional paid-in capital	2,014,525	1,975,247
Accumulated deficit	(1,073,202)	(850,410)
Treasury stock, at cost, 9,188,819 and 9,101,395 shares at December 31, 2017 and December 31, 2016, respectively	(48,197)	(47,597)
Total shareholders' equity	897,112	1,081,199
Total liabilities and shareholders' equity	$ 3,192,603	$ 3,341,465

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Years Ended December 31,		
	2017	2016	2015
Revenues and other income:			
Oil and gas revenue	$ 578,139	$ 310,377	$ 446,696
Gain on sale of assets	—	—	24,651
Other income, net	58,697	74,978	209
Total revenues and other income	636,836	385,355	471,556
Costs and expenses:			
Oil and gas production	126,850	119,367	105,336
Facilities insurance modifications, net	(820)	14,961	—
Exploration expenses	216,050	202,280	156,203
General and administrative	68,302	87,623	136,809
Depletion and depreciation	255,203	140,404	155,966
Interest and other financing costs, net	77,595	44,147	37,209
Derivatives, net	59,968	48,021	(210,649)
Loss on equity method investments, net	6,252	—	—
Other expenses, net	5,291	23,116	5,246
Total costs and expenses	814,691	679,919	386,120
Income (loss) before income taxes	(177,855)	(294,564)	85,436
Income tax expense (benefit)	44,937	(10,784)	155,272
Net loss	$ (222,792)	$ (283,780)	$ (69,836)
Net loss per share:			
Basic	$ (0.57)	$ (0.74)	$ (0.18)
Diluted	$ (0.57)	$ (0.74)	$ (0.18)
Weighted average number of shares used to compute net loss per share:			
Basic	388,375	385,402	382,610
Diluted	388,375	385,402	382,610

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	Years Ended December 31,		
	2017	2016	2015
Net loss	$ (222,792)	$ (283,780)	$ (69,836)
Other comprehensive loss:			
Reclassification adjustments for derivative gains included in net loss	—	—	(767)
Other comprehensive loss	—	—	(767)
Comprehensive loss	$ (222,792)	$ (283,780)	$ (70,603)

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

	Common Shares		Additional Paid-in	Accumulated	Accumulated other Comprehensive	Treasury	
	Shares	Amount	Capital	Deficit	Income	Stock	Total
Balance as of December 31, 2014	392,443	$ 3,924	$ 1,860,190	$ (494,850)	$ 767	$ (31,072)	$ 1,338,959
Equity-based compensation	—	—	75,267	—	—	—	75,267
Derivatives, net	—	—	—	—	(767)	—	(767)
Restricted stock awards and units	1,460	15	(15)	—	—	—	—
Restricted stock forfeitures	—	—	16	—	—	(16)	—
Purchase of treasury stock	—	—	(2,269)	—	—	(15,841)	(18,110)
Net loss	—	—	—	(69,836)	—	—	(69,836)
Balance as of December 31, 2015	393,903	3,939	1,933,189	(564,686)	—	(46,929)	1,325,513
Equity-based compensation	—	—	43,391	(1,944)	—	—	41,447
Restricted stock awards and units	1,956	20	(20)	—	—	—	—
Restricted stock forfeitures	—	—	2	—	—	(2)	—
Purchase of treasury stock	—	—	(1,315)	—	—	(666)	(1,981)
Net loss	—	—	—	(283,780)	—	—	(283,780)
Balance as of December 31, 2016	395,859	3,959	1,975,247	(850,410)	—	(47,597)	1,081,199
Equity-based compensation	—	—	40,899	—	—	—	40,899
Restricted stock awards and units	2,740	27	(27)	—	—	—	—
Purchase of treasury stock	—	—	(1,594)	—	—	(600)	(2,194)
Net loss	—	—	—	(222,792)	—	—	(222,792)
Balance as of December 31, 2017	398,599	3,986	2,014,525	(1,073,202)	—	(48,197)	897,112

See accompanying notes.

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KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31,		
	2017	**2016**	**2015**
Operating activities			
Net loss	$ (222,792)	$ (283,780)	$ (69,836)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depletion, depreciation and amortization	265,407	150,608	166,290
Deferred income taxes	9,505	(23,561)	110,786
Unsuccessful well costs	43,201	6,079	94,910
Change in fair value of derivatives	71,822	46,559	(210,957)
Cash settlements on derivatives, net (including $38.7 million, $188.0 million and $225.5 million on commodity hedges during 2017, 2016, and 2015)	25,888	188,895	224,741
Equity-based compensation	39,913	40,084	75,057
Gain on sale of assets	—	—	(24,651)
Loss on extinguishment of debt	—	—	165
Loss on equity method investment, net	6,252	—	—
Other	5,952	13,355	7,875
Changes in assets and liabilities:			
(Increase) decrease in receivables	29,365	(20,558)	2,209
(Increase) decrease in inventories	1,653	(4,107)	(29,855)
(Increase) decrease in prepaid expenses and other	(31,710)	17,557	512
Increase (decrease) in accounts payable	(94,434)	(75,487)	111,289
Increase (decrease) in accrued liabilities	86,595	(3,567)	(17,756)
Net cash provided by operating activities	236,617	52,077	440,779
Investing activities			
Oil and gas assets	(140,495)	(535,975)	(823,642)
Other property	(2,858)	(1,998)	(1,483)
Equity method investment	(231,280)	—	—
Proceeds on sale of assets	222,068	210	28,692
Net cash used in investing activities	(152,565)	(537,763)	(796,433)
Financing activities			
Borrowings under long-term debt	200,000	450,000	100,000
Payments on long-term debt	(250,000)	—	(200,000)
Net proceeds from issuance of senior secured notes	—	—	206,774
Purchase of treasury stock	(2,194)	(1,981)	(18,110)
Deferred financing costs	(67)	—	(9,030)
Net cash provided by (used in) financing activities	(52,261)	448,019	79,634
Net increase (decrease) in cash, cash equivalents and restricted cash	31,791	(37,667)	(276,020)
Cash, cash equivalents and restricted cash at beginning of period	273,195	310,862	586,882
Cash, cash equivalents and restricted cash at end of period	$ 304,986	$ 273,195	$ 310,862
Supplemental cash flow information			
Cash paid for:			
Interest	$ 55,381	$ 27,860	$ 33,315
Income taxes	$ 48,815	$ 13,997	$ 35,857
Non-cash activity:			
Conversion of joint interest billings receivable to long-term note receivable	$ —	$ 9,814	$ —
Contribution to equity method investment	$ 133,893	$ —	$ —
Dissolution of equity method investment	$ (122,407)	$ —	$ —

See accompanying notes.

KOSMOS ENERGY LTD.

Notes to Consolidated Financial Statements

1. Organization

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

Kosmos is a leading independent oil and gas exploration and production company focused on frontier and emerging areas along the Atlantic Margins. Our assets include existing production and development projects offshore Ghana and Equatorial Guinea, large discoveries and significant further exploration potential offshore Mauritania and Senegal, as well as exploration licenses offshore Cote d'Ivoire, Equatorial Guinea, Morocco, Sao Tome and Principe, and Suriname. Kosmos is listed on the New York Stock Exchange ("NYSE") and London Stock Exchange ("LSE") and is traded under the ticker symbol KOS.

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

2. Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Kosmos Energy Ltd. and its wholly owned subsidiaries. They also include the Corporation's share of the undivided interest in certain assets, liabilities, revenues and expenses. Investments in corporate joint ventures, which we exercise significant influence over, are accounted for using the equity method of accounting. All intercompany transactions have been eliminated.

Investments in companies that are partially owned by the Corporation are integral to the Corporation's operations. The other parties, who also have an equity interest in these companies, are independent third parties that share in the business results according to their ownership. Kosmos does not invest in these companies in order to remove liabilities from its balance sheet.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. Actual results could differ from these estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform with the current year presentation. Such reclassifications had no material impact on our reported net income (loss), current assets, total assets, current liabilities, total liabilities, shareholders' equity or cash flows, except as disclosed related to the adoption of recent accounting pronouncements.

Cash, Cash Equivalents and Restricted Cash

	December 31,		
	2017	2016	2015
	(In thousands)		
Cash and cash equivalents	$ 233,412	$ 194,057	$ 275,004
Restricted cash - current	56,380	24,506	28,533
Restricted cash - long-term	15,194	54,632	7,325
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 304,986	$ 273,195	$ 310,862

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

In accordance with our commercial debt facility (the "Facility"), we were required to maintain a restricted cash balance that is sufficient to meet the payment of interest and fees for the next six-month period on the 7.875% Senior Secured Notes due 2021 ("Senior Notes") plus the Corporate Revolver or the Facility, whichever is greater. As of December 31, 2017 and 2016, we had $24.8 million and $24.5 million, respectively, in current restricted cash to meet this requirement.

In addition, in accordance with certain of our petroleum contracts, we have posted letters of credit related to performance guarantees for our minimum work obligations. These letters of credit are cash collateralized in accounts held by us and as such are classified as restricted cash. Upon completion of the minimum work obligations and/or entering into the next phase of the petroleum contract, the requirement to post the existing letters of credit will be satisfied and the cash collateral will be released. However, additional letters of credit may be required should we choose to move into the next phase of certain of our petroleum contracts. As of December 31, 2017 and 2016, we had $31.6 million and zero, respectively, of current restricted cash and $15.2 million and $54.6 million, respectively, of long-term restricted cash used to cash collateralize performance guarantees related to our petroleum contracts.

Receivables

Our receivables consist of joint interest billings, oil sales and other receivables. For our oil sales receivable, we require a letter of credit to be posted to secure the outstanding receivable. Receivables from joint interest owners are stated at amounts due, net of any allowances for doubtful accounts. We determine our allowance by considering the length of time past due, future net revenues of the debtor's ownership interest in oil and natural gas properties we operate, and the owner's ability to pay its

obligation, among other things. We had an allowance for doubtful accounts of zero and $0.6 million in current joint interest billings receivables as of December 31, 2017 and 2016, respectively.

Inventories

Inventories consisted of $63.5 million and $68.1 million of materials and supplies and $8.4 million and $6.3 million of hydrocarbons as of December 31, 2017 and 2016, respectively. The Company's materials and supplies inventory primarily consists of casing and wellheads and is stated at the lower of cost, using the weighted average cost method, or net realizable value. We recorded write downs of $0.9 million, $14.9 million and nil during the years ended December 31, 2017, 2016 and 2015 for materials and supplies inventories as other expenses, net in the consolidated statements of operations and other in the consolidated statements of cash flows.

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

Exploration and Development Costs

The Company follows the successful efforts method of accounting for its oil and gas properties. Acquisition costs for proved and unproved properties are capitalized when incurred. Costs of unproved properties are transferred to proved properties when a determination that proved reserves have been found. Exploration costs, including geological and geophysical costs and costs of carrying unproved properties, are expensed as incurred. Exploratory drilling costs are capitalized when incurred. If exploratory wells are determined to be commercially unsuccessful or dry holes, the applicable costs are expensed and recorded in exploration expense on the consolidated statement of operations. Costs incurred to drill and equip development wells, including unsuccessful development wells, are capitalized. Costs incurred to operate and maintain wells and equipment and to lift oil and natural gas to the surface are expensed as oil and gas production expense.

The Company evaluates unproved property periodically for impairment. The impairment assessment considers results of exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of such projects. If the quantity of potential future reserves determined by such evaluations is not sufficient to fully recover the cost invested in each project, the Company will recognize an impairment loss at that time.

Depletion, Depreciation and Amortization

Proved properties and support equipment and facilities are depleted using the unit-of-production method based on estimated proved oil and natural gas reserves. Capitalized exploratory drilling costs that result in a discovery of proved reserves and development costs are amortized using the unit-of-production method based on estimated proved developed oil and natural gas reserves for the related field.

Depreciation and amortization of other property is computed using the straight-line method over the assets' estimated useful lives (not to exceed the lease term for leasehold improvements), ranging from one to eight years.

	Years Depreciated
Leasehold improvements	1 to 8
Office furniture, fixtures and computer equipment	3 to 7
Vehicles	5

Amortization of deferred financing costs is computed using the straight-line method over the life of the related debt.

Capitalized Interest

Interest costs from external borrowings are capitalized on major projects with an expected construction period of one year or longer. Capitalized interest is added to the cost of the underlying asset and is depleted on the unit-of-production method in the same manner as the underlying assets.

Asset Retirement Obligations

The Company accounts for asset retirement obligations as required by ASC 410—Asset Retirement and Environmental Obligations. Under these standards, the fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the

period the asset retirement obligation is incurred, the liability is recognized when a reasonable estimate of fair value can be made. If a tangible long-lived asset with an existing asset retirement obligation is acquired, a liability for that obligation is recognized at the asset's acquisition date. In addition, a liability for the fair value of a conditional asset retirement obligation is recorded if the fair value of the liability can be reasonably estimated. We capitalize the asset retirement costs by increasing the carrying amount of the related long-lived asset by the same amount as the liability. We record increases in the discounted abandonment liability resulting from the passage of time in depletion and depreciation in the consolidated statement of operations.

Impairment of Long-lived Assets

The Company reviews its long-lived assets for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable, or at least annually. ASC 360—Property, Plant and Equipment requires an impairment loss to be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Assets to be disposed of and assets not expected to provide any future service potential to the Company are recorded at the lower of carrying amount or fair value less cost to sell.

We believe the assumptions used in our undiscounted cash flow analysis to test for impairment are appropriate and result in a reasonable estimate of future cash flows. The undiscounted cash flows from the analysis exceeded the carrying amount of our long-lived assets. The most significant assumptions are the pricing and production estimates used in undiscounted cash flow analysis. Where unproved reserves exist, an appropriately risk-adjusted amount of these reserves may be included in the evaluation. In order to evaluate the sensitivity of the assumptions, we assumed a hypothetical reduction in our production profile which still showed no impairment. If we experience declines in oil pricing, increases in our estimated future expenditures or a decrease in our estimated production profile our long-lived assets could be at risk for impairment.

Derivative Instruments and Hedging Activities

We utilize oil derivative contracts to mitigate our exposure to commodity price risk associated with our anticipated future oil production. These derivative contracts consist of collars, put options, call options and swaps. We also use interest rate derivative contracts to mitigate our exposure to interest rate fluctuations related to our long-term debt. Our derivative financial instruments are recorded on the balance sheet as either assets or liabilities and are measured at fair value. We do not apply hedge accounting to our derivative contracts. As of December 31, 2016 all instruments previously designated as hedges have settled and there is no balance remaining in AOCI. See Note 9—Derivative Financial Instruments.

Estimates of Proved Oil and Natural Gas Reserves

Reserve quantities and the related estimates of future net cash flows affect our periodic calculations of depletion and assessment of impairment of our oil and natural gas properties. Proved oil and natural gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future periods from known reservoirs under existing economic and operating conditions. As additional proved reserves are discovered, reserve quantities and future cash flows will be estimated by independent petroleum consultants and prepared in accordance with guidelines established by the Securities and Exchange Commission ("SEC") and the Financial Accounting Standards Board ("FASB"). The accuracy of these reserve estimates is a function of:

- the engineering and geological interpretation of available data;
- estimates of the amount and timing of future operating cost, production taxes, development cost and workover cost;
- the accuracy of various mandated economic assumptions; and
- the judgments of the persons preparing the estimates.

Revenue Recognition

We use the sales method of accounting for oil and gas revenues. Under this method, we recognize revenues on the volumes sold based on the provisional sales prices. The volumes sold may be more or less than the volumes to which we are entitled based on our ownership interest in the property. These differences result in a condition known in the industry as a production imbalance. A receivable or liability is recognized only to the extent that we have an imbalance on a specific property greater than the expected remaining proved reserves on such property. As of December 31, 2017 and 2016, we had no oil and gas imbalances recorded in our consolidated financial statements.

Our oil and gas revenues are based on provisional price contracts which contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from oil sales at the spot price on the date of sale. The embedded derivative, which is not designated as a hedge, is marked to market through oil and gas revenue each period until the final settlement occurs, which generally is limited to the month after the sale.

Equity-based Compensation

For equity-based compensation awards, compensation expense is recognized in the Company's financial statements over the awards' vesting periods based on their grant date fair value. The Company utilizes (i) the closing stock price on the date of grant to determine the fair value of service vesting restricted stock awards and restricted stock units and (ii) a Monte Carlo simulation to determine the fair value of restricted stock awards and restricted stock units with a combination of market and service vesting criteria. Forfeitures are recognized in the period in which they occur.

Treasury Stock

We record treasury stock purchases at cost. Our treasury stock purchases are from our employees that surrendered shares to the Company to satisfy their statutory tax withholding requirements and are not part of a formal stock repurchase plan. The remainder of our treasury stock is forfeited restricted stock awards granted under our long-term incentive plan.

Income Taxes

The Company accounts for income taxes as required by ASC 740—Income Taxes. Under this method, deferred income taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. On a quarterly basis, management evaluates the need for and adequacy of valuation allowances based on the expected realizability of the deferred tax assets and adjusts the amount of such allowances, if necessary.

We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained upon examination by the tax authorities, based on the technical merits of the position. Accordingly, we measure tax benefits from such positions based on the most likely outcome to be realized.

FASB Staff Accounting Bulletin 118 (SAB 118) was issued in January 2018 to address situations where certain aspects of the Tax Reform Act are unclear at issuance of a registrant's financial statements for the reporting period in which the Tax Reform Act became law. SAB 118 allows us to record provisional amounts during a one year measurement period. We are analyzing certain aspects of the Tax Reform Act which could potentially affect the measurement of deferred tax balances or potentially give rise to new deferred tax amounts.

Foreign Currency Translation

The U.S. dollar is the functional currency for all of the Company's material foreign operations. Foreign currency transaction gains and losses and adjustments resulting from translating monetary assets and liabilities denominated in foreign currencies are included in other expenses. Cash balances held in foreign currencies are not significant, and as such, the effect of exchange rate changes is not material to any reporting period.

Concentration of Credit Risk

Our revenue can be materially affected by current economic conditions and the price of oil. However, based on the current demand for crude oil and the fact that alternative purchasers are readily available, we believe that the loss of our marketing agent and/or any of the purchasers identified by our marketing agent would not have a long-term material adverse effect on our financial position or results of operations.

Recent Accounting Standards

Recently Adopted

In January 2017, the FASB issued ASU 2017-1, "Business Combinations (Topic 805): Clarifying the Definition of a Business." ASU 2017-1 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether those transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years with early adoption permitted. Effective October 1, 2017, we early adopted ASU 2017-1 in connection with our accounting treatment of the Equatorial Guinea acquisition during the fourth quarter of 2017.

Not Yet Adopted

In May 2014, the FASB issued ASU 2014-9, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition," and most industry-specific guidance. ASU 2014-9 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-9 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-9 applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC. The new guidance is effective for annual reporting periods beginning after December 15, 2017 for public companies. Early adoption is not permitted. Entities have the option of using either a full retrospective or modified retrospective approach to adopt ASU 2014-9. The Company completed its assessment of the new accounting standard and does not expect the adoption of this standard to have a material impact to our revenue recognition based on our existing contracts with customers. We will adopt the new standard during the first quarter of 2018 using the modified retrospective approach and there will be no impact to our previously recorded revenue under the new standard.

In February 2016, the FASB issued ASU 2016-2, “Leases (Topic 842).” ASU 2016-2 was issued to increase transparency and comparability across organizations by recognizing substantially all leases on the balance sheet through the concept of right-of-use lease assets and liabilities. Under current accounting guidance, lessees do not recognize lease assets or liabilities for leases classified as operating leases. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years with early adoption permitted. The new leasing standard requires the modified retrospective adoption method. The Company is in the process of evaluating the impact of this accounting standard on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, “Intra-Entity Transfers of Assets Other Than Inventory.” ASU 2016-16 requires the company to recognize income tax consequences, if any, on intercompany asset transfers, other than inventory, when the transfer occurs. The ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years with early adoption permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

3. Acquisitions and Divestitures

2017 Transactions

In December 2016, we announced transactions with affiliates of BP p.l.c. (“BP”) in Mauritania and Senegal following a competitive farm-out process for our interests in our blocks offshore Mauritania and Senegal. The Mauritania and Senegal transactions closed in January 2017 and February 2017, respectively. In Mauritania, BP acquired a 62% participating interest in our four Mauritania licenses (C6, C8, C12 and C13). In Senegal, BP acquired a 49.99% interest in KBSL, our majority owned affiliate company which held a 60% participating interest in the Cayar Offshore Profond and Saint Louis Offshore Profond blocks (the "Senegal Blocks") offshore Senegal. Previously we indicated that KBSL would hold a 65% participating interest upon the completion of our exercise in December 2016 of an option to increase our equity in each contract area by 5% in exchange for carrying Timis Corporation Limited’s (“Timis”) paying interest share of a third well in either contract area, subject to a maximum gross well cost of $120.0 million. However, we agreed to withdraw the exercise of this call option upon completion of an agreement between BP and Timis by which BP acquired Timis’ entire 30% participating interest in the Senegal Blocks. The transaction between BP and Timis was completed and KBSL’s participating interest in these blocks remained at 60%. In consideration for these transactions, Kosmos received $162 million in cash up front during the first quarter of 2017 and will receive $228 million exploration and appraisal carry (increased from $221 million upon completion of the transfer of a 30% working interest to BP Senegal Investments Limited), up to $533 million in a development carry and variable consideration up to $2 per barrel for up to 1 billion barrels of liquids, structured as a production royalty, subject to future liquids discovery and prevailing oil prices. The effective date of these transactions was July 1, 2016, with BP paying interim costs from the effective date to the closing dates. We reduced our unproved property balance by $221.9 million for the consideration received as a result of these transactions including the upfront cash and interim costs from the transaction date to the effective date. See Note 7—Equity Method Investments for further discussion of our investment in KBSL.

In November 2015, we entered into a line of credit agreement with Timis, whereby Timis had the right to draw up to $30.0 million on the line of credit to offset its joint interest billings arising from costs under the Senegal Blocks petroleum agreements. The line of credit agreement was terminated in April 2017 when Timis entered into an agreement with BP to acquire Timis' 30% participating interest in the Senegal Blocks. As a result of the termination of this credit agreement, Kosmos received $16 million in August 2017 representing payment in full of outstanding amounts drawn on the line of credit.

In September 2017, we closed a farm-in agreement with Tullow Mauritania Limited, a subsidiary of Tullow Oil plc (“Tullow”), to acquire a 15% non-operated participating interest in Block C18 offshore Mauritania. Based on the terms of the agreement, we will reimburse a portion of past and interim period costs and partially carry future costs.

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

In October 2017, we entered into petroleum contracts covering Blocks EG-21, S, and W with the Republic of Equatorial Guinea, subject to ratification by the President of Equatorial Guinea. We presently have an 80% participating interest and are the operator in all three blocks, but pursuant to an agreement with Trident, we expect to assign a 40% participating interest in the blocks to an affiliate of Trident after ratification. The Equatorial Guinean national oil company, Guinea Equatorial De Petroleos ("GEPetrol"), currently has a 20% carried participating interest during the exploration period. Should a commercial discovery be made, GEPetrol's 20% carried interest will convert to a 20% participating interest. The petroleum contracts cover approximately 6,000 square kilometers, with a first exploration period of five years from the date of notification of ratification by the President of Equatorial Guinea. The first exploration period consists of two sub-periods of three and two years, respectively. The first exploration sub-period work program includes an approximately 6,000 square kilometer 3D seismic acquisition requirement across the three blocks. Upon ratification and the assignment of a 40% interest to the Trident affiliate noted above, interests in these three blocks will be 40% Kosmos, 40% Trident and 20% GEPetrol.

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

2016 Transactions

In January and February 2016, we closed farm-in agreements with Equator Exploration Limited (“Equator”), an affiliate of Oando Energy Resources, for Block 5 and Block 12 offshore Sao Tome and Principe. As a result of subsequent farm-outs we currently have a 45% participating interest and operatorship in each block. The national petroleum agency, ANP STP, has a 15% and 12.5% carried interest in Block 5 and Block 12, respectively.

In April 2016, we closed a farm-out agreement with Hess Suriname Exploration Limited, a wholly-owned subsidiary of the Hess Corporation (“Hess”), covering the Block 42 contract area offshore Suriname. Under the terms of the agreement, Hess acquired a one-third non-operated interest in Block 42 from both Chevron and Kosmos. As part of the agreement, Hess is funding the cost of acquiring and processing a 6,500 square kilometer 3D seismic survey, subject to a maximum spend. Additionally, Hess will disproportionately fund a portion of the first exploration well in the Block 42 contract area, subject to a maximum spend, contingent upon the partnership entering the next phase of the exploration period. The new participating interests are one-third to each of Kosmos, Chevron and Hess, respectively. Kosmos remains the operator. Staatsolie Maatschappij Suriname N.V. (“Staatsolie”), Suriname’s national oil company, has the option to back into the contract with an interest of not more than 10% upon approval of a development plan.

In May 2016, Kosmos and Capricorn Exploration and Development Company Limited, a wholly owned subsidiary of Cairn Energy PLC (“Cairn”) executed a petroleum agreement with the Office National des Hydrocarbures et des Mines ("ONHYM"), the national oil company of the Kingdom of Morocco, for the Boujdour Maritime block. The Boujdour Maritime petroleum agreement largely replaces the acreage covered by the Cap Boujdour petroleum agreement which expired in March 2016. Under the terms of the petroleum agreement, Kosmos is the operator of the Boujdour Maritime block and has a 55% participating interest, Cairn has a 20% participating interest, and ONHYM holds a 25% carried interest in the block through the exploration period. In November 2017, we provided to our co-venturers a notice of withdrawal from the the Boujdour Maritime block offshore Western Sahara and transferred its participating interest and operatorship to ONHYM. Certain transition services are being provided to ONHYM as part of the handover of operatorship. In order to complete our obligations under the petroleum contract, we will continue to fund the remainder of the seismic program.

In September 2016, we entered into an agreement by which BP agreed to pay Kosmos $30 million in lieu of drilling an exploration well and assigned its 45% participating interest in the Essaouira Offshore Block back to us, and the Moroccan government issued joint ministerial orders approving the assignment in October 2016, making it effective. After giving effect to the assignment, our participating interest is 75% in the Essaouria Offshore block and we remain the operator. The $30 million payment was received from BP in January 2017.

In October 2016, we entered into a petroleum contract covering Block C6 with the Islamic Republic of Mauritania. As a result of a subsequent farm-out we have a 28% participating interest and provide technical exploration services to BP, the operator. The Mauritanian national oil company, Societe Mauritanienne des Hydrocarbures et de Patrimoine Minier ("SMHPM"), currently has a 10% carried participating interest during the exploration period. Block C6 currently comprises approximately 1.1 million acres (4,300 square kilometers), with a first exploration period of four years from the effective date (October 28, 2016). The first exploration phase includes a 2,000 square kilometer 3D seismic requirement.

In December 2016, Kosmos closed a farm-out agreement with a subsidiary of Galp Energia SGPS S.A. ("Galp") to farm-out a 20% non-operated stake of the Company's interest in Blocks 5, 11, and 12 offshore Sao Tome and Principe. Based on the terms of the agreement, Galp paid a proportionate share of Kosmos' past costs in the form of a partial carry on the 3D seismic survey which was completed in August 2017.

2015 Transactions

In March 2015, we closed a farm-in agreement with Repsol Exploracion, S.A. ("Repsol"), acquiring a non-operated interest in the Camarao, Ameijoa, Mexilhao and Ostra blocks in the Peniche Basin offshore Portugal. As part of the agreement, we reimbursed a portion of Repsol's previously incurred exploration costs, as well as partially carried Repsol's share of the costs of a planned 3D seismic program. After giving effect to the farm-in agreement, our participating interest was 31% in each of the blocks. In January 2017, we provided to our co-venturers a notice of withdrawal from the Ameijoa, Camarao, Mexilhao and Ostra Blocks offshore Portugal.

In March 2015, we closed a farm-out agreement with Chevron Corporation ("Chevron") covering the C8, C12 and C13 petroleum contracts offshore Mauritania. As partial consideration for the farm-out, Chevron paid a disproportionate share of the costs of one exploration well, the Marsouin-1 exploration well, as well as its proportionate share of certain previously incurred exploration costs. The final allocation resulted in sales proceeds of $28.7 million, which exceeded our book basis in the assets, resulting in a $24.7 million gain on the transaction. As a further component of the consideration for the farm-out, Chevron was required to make an election by February 1, 2016, to either farm-in to the Tortue-1 exploration well by paying a disproportionate share of the costs incurred in drilling of the well or, alternatively elect to not farm-in to the Tortue-1 exploration well and pay a disproportionate share of the costs of a second contingent exploration or appraisal well in the contract areas, subject to maximum expenditure caps. Chevron failed to make this mandatory election by the required date. Consequently, pursuant to the terms of the farm-out agreement, Chevron has withdrawn from our Mauritania blocks. Chevron's 30% non-operated participating interest was reassigned to us.

In September 2015, we notified the government of Ireland and our partners that we are withdrawing from all of our blocks offshore Ireland. These blocks were acquired during 2013.

In October 2015, we closed a sale and purchase agreement with ERHC Energy EEZ, LDA, whereby we acquired an 85% participating interest and operatorship in Block 11 offshore Sao Tome and Principe. The National Petroleum Agency, Agencia Nacional Do Petroleo De Sao Tome E Príncipe ("ANP STP"), has a 15% carried interest.

In November 2015, we closed a farm-in agreement with Galp Energia Sao Tome E Principe, Unipessoal, LDA ("Galp"), a wholly owned subsidiary of Petrogal, S.A. to acquire a 45% non-operated participating interest in Block 6 offshore Sao Tome and Principe.

4. Joint Interest Billings

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

In 2014, the Ghana National Petroleum Corporation ("GNPC") notified us and our block partners of its request for the contractor group to pay GNPC's 5% share of the Tweneboa, Enyenra and Ntomme ("TEN") development costs. The block partners will be reimbursed for such costs plus interest out of a portion of GNPC's TEN production revenues. As of December 31, 2017 and 2016, the current portion of the joint interest billing receivables due from GNPC for the TEN fields development costs were $15.2 million and zero, respectively, and the long-term portion is $31.6 million and $44.0 million.

5. Property and Equipment

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

	December 31,	
	2017	2016
	(In thousands)	
Oil and gas properties:		
Proved properties	$ 1,653,616	$ 1,385,331
Unproved properties	465,109	919,056
Support equipment and facilities	1,427,054	1,386,448
Total oil and gas properties	3,545,779	3,690,835
Accumulated depletion	(1,234,806)	(989,946)
Oil and gas properties, net	2,310,973	2,700,889
Other property	39,405	37,186
Accumulated depreciation	(32,550)	(29,183)
Other property, net	6,855	8,003
Property and equipment, net	$ 2,317,828	$ 2,708,892

We recorded depletion expense of $244.9 million, $131.5 million and $146.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

6. Suspended Well Costs

The Company capitalizes exploratory well costs as unproved properties within oil and gas properties until a determination is made that the well has either found proved reserves or is impaired. If proved reserves are found, the capitalized exploratory well costs are reclassified to proved properties. Well costs are charged to exploration expense if the exploratory well is determined to be impaired.

The following table reflects the Company's capitalized exploratory well costs on completed wells as of and during the years ended December 31, 2017, 2016 and 2015. The table excludes $43.2 million, $2.4 million and $70.3 million in costs that were capitalized and subsequently expensed during the same year for the years ended December 31, 2017, 2016 and 2015, respectively. During 2017, the exploratory well costs associated with the Mahogany and Teak fields were reclassified to proved property as they were unitized into the Jubilee Unit as part of the Greater Jubilee Full Field Development Plan.

	Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Beginning balance	$ 734,463	$ 426,881	$ 226,714
Additions to capitalized exploratory well costs pending the determination of proved reserves	69,567	307,582	223,542
Reclassification due to unitization of Mahogany and Teak discoveries	(176,881)	—	—
Divestitures(1)	(206,400)	—	—
Contribution of oil and gas property to equity method investment	(131,764)	—	—
Dissolution of equity method investment	121,128	—	—
Capitalized exploratory well costs charged to expense	—	—	(23,375)
Ending balance	$ 410,113	$ 734,463	$ 426,881

(1) Represents the reduction in basis of suspended well costs associated with the Mauritania and Senegal transactions with BP.

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

	Years Ended December 31,		
	2017	2016	2015
	(In thousands, except well counts)		
Exploratory well costs capitalized for a period of one year or less	$ 67,159	$ 279,809	$ 199,486
Exploratory well costs capitalized for a period of one to two years	291,252	244,804	17,702
Exploratory well costs capitalized for a period of three to six years	51,702	209,850	209,693
Ending balance	$ 410,113	$ 734,463	$ 426,881
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	5	5	3

As of December 31, 2017, the projects with exploratory well costs capitalized for more than one year since the completion of drilling are related to the Akasa discovery in the West Cape Three Points ("WCTP") Block and the Wawa discovery in the DT Block, which are located offshore Ghana, the Greater Tortue discovery which crosses the Mauritania and Senegal maritime border, the BirAllah discovery (formerly known as the Marsouin discovery) in Block C8 offshore Mauritania and the Teranga discovery in the Cayar Offshore Profond block offshore Senegal.

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

Wawa Discovery — In February 2016, we requested the Ghana Ministry of Energy to approve the enlargement of the areal extent of the TEN fields and production area to capture the resource accumulation located in the Wawa Discovery Area for a potential future integrated development with the TEN fields. In April 2016, the Ghana Ministry of Energy approved our request to enlarge the TEN development and production area subject to continued subsurface and development concept evaluation, along with the requirement to integrate the Wawa Discovery into the TEN PoD. We are currently in discussions with the Ministry of Energy with respect to conducting further subsurface and development concept evaluation.

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

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

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

7. Equity Method Investments

Kosmos BP Senegal Limited

As part of our transaction in Senegal with BP, our petroleum contracts in Senegal were contributed to KBSL, a corporate joint venture in which we owned a 50.01% interest. The objective of this transaction was to accelerate the development of discovered gas resources, ensure the execution of an appropriately sized exploration program and reduce the Company's capital spending requirements for exploration and development over the near to medium term.

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

Prior to the acquisition of the remaining outstanding shares of KBSL in October 2017, our investment in KBSL qualified for the equity method of accounting. Our initial contribution to KBSL was $133.9 million, which was recorded at our carrying costs. Our share of the KBSL operations during the period it was accounted for as an equity method investment is reflected in our consolidated statements of operations as loss on equity method investments, net. During the twelve months ended December 31, 2017, we recorded an $11.5 million loss on equity method investment associated with KBSL.

Equatorial Guinea

As part of our acquisition of KTIPI, a corporate joint venture in which we own a 50% interest, we acquired the petroleum contract for Block G offshore Equatorial Guinea. The objective of this transaction was to acquire the Ceiba field and Okume complex with the intent to optimize production and increase reserves. Below is a summary of financial information for KTIPI.

	December 31, 2017
	(In thousands)
Assets	
Total current assets	$ 179,070
Property and equipment, net	345,611
Other assets	567
Total assets	$ 525,248
Liabilities and shareholders' equity	
Total current liabilities	$ 106,769
Total long term liabilities	565,591
Shareholders' equity:	
Total shareholders' equity	(147,112)
Total liabilities and shareholders' equity	$ 525,248

	Period November 28, 2017 through December 31, 2017
Revenues and other income:	
Oil and gas revenue	$ 54,615
Other income	294
Total revenues and other income	54,909
Costs and expenses:	
Oil and gas production	15,509
Depletion and depreciation	10,738
Other expenses, net	(19)
Total costs and expenses	26,228
Income before income taxes	28,681
Income tax expense	6,588
Net income	$ 22,093
Kosmos' share of net income	$ 11,046
Basis difference amortization(1)	5,812
Equity in earnings - KTIPI	$ 5,234

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

When evaluating our equity method investments for impairment, we review our ability to recover the carrying amount of such investments or the entity's ability to sustain earnings that justify its carrying amount. As of December 31, 2017, we determined that we had the ability to recover the carrying amount of our equity method investment in KTIPI. As such, no impairment has been recorded.

8. Debt

	December 31,	
	2017	2016
	(In thousands)	
Outstanding debt principal balances:		
Facility	$ 800,000	$ 850,000
Senior Notes	525,000	525,000
Total	1,325,000	1,375,000
Unamortized deferred financing costs and discounts(1)	(42,203)	(53,126)
Long-term debt, net	$ 1,282,797	$ 1,321,874

(1) Includes $23.6 million and $30.3 million of unamortized deferred financing costs related to the Facility and $18.6 million and $22.8 million of unamortized deferred financing costs and discounts related to the Senior Notes as of December 31, 2017 and December 31, 2016, respectively.

Facility

In March 2017, following the lender's semi-annual redetermination, the available borrowing base under our Facility was $1.3 billion (effective April 1, 2017). In August 2017, following the lender's waiver of the September 30, 2017 semi-annual

redetermination, the available borrowing base under our Facility remained at $1.3 billion. The borrowing base calculation included value related to the Jubilee and TEN fields.

As of December 31, 2017, borrowings under the Facility totaled $800.0 million including $200 million drawn for the KTIPI investment, and the undrawn availability under the Facility was $500.8 million. Interest is the aggregate of the applicable margin (3.25% to 4.50%, depending on the length of time that has passed from the date the Facility was entered into) and LIBOR. Interest is payable on the last day of each interest period (and, if the interest period is longer than six months, on the dates falling at six-month intervals after the first day of the interest period). We pay commitment fees on the undrawn and unavailable portion of the total commitments, if any. Commitment fees were equal to 40% per annum of the then-applicable respective margin when a commitment is available for utilization and, equal to 20% per annum of the then-applicable respective margin when a commitment is not available for utilization. We recognize interest expense in accordance with ASC 835—Interest, which requires interest expense to be recognized using the effective interest method. We determined the effective interest rate based on the estimated level of borrowings under the Facility.

In February 2018, the Company amended and restated the Facility with a total commitment of $1.5 billion from a number of financial institutions with additional commitments up to $0.5 billion being available if the existing financial institutions increase their commitments or if commitments from new financial institutions are added. The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities. As part of the debt refinancing in February 2018, the repayment of borrowings under the existing facility attributable to financial institutions that did not participate in the amended Facility was accounted for as an extinguishment of debt, and $5.7 million of existing unamortized debt issuance costs attributable to those participants were expensed in the first quarter of 2018. As of December 31, 2017, we have $23.6 million of unamortized issuance costs related to the Facility, which will be amortized over the remaining term of the Facility, excluding the $5.7 million expensed in the first quarter of 2018.

The Facility provides a revolving credit and letter of credit facility. The availability period for the revolving- credit facility, as amended in February 2018 expires one month prior to the final maturity date. The letter of credit facility expires on the final maturity date. The available facility amount is subject to borrowing base constraints and, beginning on March 31, 2022, outstanding borrowings will be constrained by an amortization schedule. The Facility has a final maturity date of March 31, 2025. As of December 31, 2017, we had no letters of credit issued under the Facility.

Kosmos has the right to cancel all the undrawn commitments under the amended and restated Facility. The amount of funds available to be borrowed under the Facility, also known as the borrowing base amount, is determined each year on March 31. The borrowing base amount is based on the sum of the net present values of net cash flows and relevant capital expenditures reduced by certain percentages as well as value attributable to certain assets' reserves and/or resources in Ghana and Equatorial Guinea.

If an event of default exists under the Facility, the lenders can accelerate the maturity and exercise other rights and remedies, including the enforcement of security granted pursuant to the Facility over certain assets held by our subsidiaries. The Facility contains customary cross default provisions.

We were in compliance with the financial covenants contained in the Facility as of the September 30, 2017 (the most recent assessment date).

Corporate Revolver

In November 2012, we secured a Corporate Revolver from a number of financial institutions which, as amended in June 2015, has an availability of $400.0 million. The Corporate Revolver is available for all subsidiaries for general corporate purposes and for oil and gas exploration; appraisal and development programs. As of December 31, 2017, we have $2.5 million of net deferred financing costs related to the Corporate Revolver, which will be amortized over the remaining term, which as amended expires in November 2018. These deferred financing costs are included in the Other assets section of the consolidated balance sheet.

As of December 31, 2017, there were no borrowings outstanding under the Corporate Revolver and the undrawn availability under the Corporate Revolver was $400.0 million.

Interest is the aggregate of the applicable margin (6.0%); LIBOR; and mandatory cost (if any, as defined in the Corporate Revolver). Interest is payable on the last day of each interest period (and, if the interest period is longer than six months, on the dates falling at six-month intervals after the first day of the interest period). We pay commitment fees on the undrawn portion of the total commitments. Commitment fees, as amended in June 2015, for the lenders are equal to 30% per annum of the respective margin when a commitment is available for utilization.

The Corporate Revolver, as amended in June 2015, expires on November 23, 2018. The available amount is not subject to borrowing base constraints. Kosmos has the right to cancel all the undrawn commitments under the Corporate Revolver. The Company is required to repay certain amounts due under the Corporate Revolver with sales of certain subsidiaries or sales of certain assets. If an event of default exists under the Corporate Revolver, the lenders can accelerate the maturity and exercise other rights and remedies, including the enforcement of security granted pursuant to the Corporate Revolver over certain assets held by us.

We were in compliance with the financial covenants contained in the Corporate Revolver as of September 30, 2017 (the most recent assessment date). The Corporate Revolver contains customary cross default provisions.

Revolving Letter of Credit Facility

In July 2013, we entered into a revolving letter of credit facility agreement ("LC Facility"). The size of the LC Facility is $75.0 million, as amended in July 2015, with additional commitments up to $50.0 million being available if the existing lender increases its commitment or if commitments from new financial institutions are added. The LC Facility provides that we maintain cash collateral in an amount equal to at least 75% of all outstanding letters of credit under the LC Facility, provided that during the period of any breach of certain financial covenants, the required cash collateral amount shall increase to 100%.

In July 2016, we amended and restated the LC Facility, extending the maturity date to July 2019. Other amendments included increasing the margin from 0.5% to 0.8% per annum on amounts outstanding, adding a commitment fee payable quarterly in arrears at an annual rate equal to 0.65% on the available commitment amount and providing for issuance fees to be payable to the lender per new issuance of a letter of credit. We may voluntarily cancel any commitments available under the LC Facility at any time. During the first quarter of 2017, the LC Facility size was increased to $115.0 million and in April 2017, we reduced the size of our LC Facility to $70 million. In February 2018, the LC Facility was increased to $73 million to facilitate the issuance of additional letters of credit. As of December 31, 2017, there were eight outstanding letters of credit totaling $60.3 million under the LC Facility. The LC Facility contains customary cross default provisions.

7.875% Senior Secured Notes due 2021

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

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

The Senior Notes mature on August 1, 2021. Interest is payable semi-annually in arrears each February 1 and August 1 commencing on February 1, 2015 for the initial $300.0 million Senior Notes and August 1, 2015 for the additional $225.0 million Senior Notes. The Senior Notes are secured (subject to certain exceptions and permitted liens) by a first ranking fixed equitable charge on all shares held by us in our direct subsidiary, Kosmos Energy Holdings. The Senior Notes are currently guaranteed on a subordinated, unsecured basis by our existing restricted subsidiaries that guarantee the Facility and the Corporate Revolver, and, in certain circumstances, the Senior Notes will become guaranteed by certain of our other existing or future restricted subsidiaries (the "Guarantees").

Redemption and Repurchase. On or after August 1, 2017, the Company may redeem all or a part of the Senior Notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest:

Year	Percentage
On or after August 1, 2017, but before August 1, 2018	103.9%
On or after August 1, 2018, but before August 1, 2019	102.0%
On or after August 1, 2019 and thereafter	100.0%

We may also redeem the Senior Notes in whole, but not in part, at any time if changes in tax laws impose certain withholding taxes on amounts payable on the Senior Notes at a price equal to the principal amount of the Senior Notes plus accrued interest

and additional amounts, if any, as may be necessary so that the net amount received by each holder after any withholding or deduction on payments of the Senior Notes will not be less than the amount such holder would have received if such taxes had not been withheld or deducted.

Upon the occurrence of a change of control triggering event as defined under the Indenture, the Company will be required to make an offer to repurchase the Senior Notes at a repurchase price equal to 101% of the principal amount, plus accrued and unpaid interest to, but excluding, the date of repurchase.

If we sell assets, under certain circumstances outlined in the Indenture, we will be required to use the net proceeds to make an offer to purchase the Senior Notes at an offer price in cash in an amount equal to 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest to, but excluding, the repurchase date.

Covenants. The Indenture restricts our ability and the ability of our restricted subsidiaries to, among other things: incur or guarantee additional indebtedness, create liens, pay dividends or make distributions in respect of capital stock, purchase or redeem capital stock, make investments or certain other restricted payments, sell assets, enter into agreements that restrict the ability of our subsidiaries to make dividends or other payments to us, enter into transactions with affiliates, or effect certain consolidations, mergers or amalgamations. These covenants are subject to a number of important qualifications and exceptions. Certain of these covenants will be terminated if the Senior Notes are assigned an investment grade rating by both Standard & Poor's Rating Services and Fitch Ratings Inc. and no default or event of default has occurred and is continuing.

Collateral. The Senior Notes are secured (subject to certain exceptions and permitted liens) by a first ranking fixed equitable charge on all currently outstanding shares, additional shares, dividends or other distributions paid in respect of such shares or any other property derived from such shares, in each case held by us in relation to the Company's direct subsidiary, Kosmos Energy Holdings, pursuant to the terms of the Charge over Shares of Kosmos Energy Holdings dated November 23, 2012, as amended and restated on March 14, 2014, between the Company and BNP Paribas as Security and Intercreditor Agent. The Senior Notes share *pari passu* in the benefit of such equitable charge based on the respective amounts of the obligations under the Indenture and the amount of obligations under the Corporate Revolver. The Guarantees are not secured.

At December 31, 2017, the estimated repayments of debt during the five years and thereafter are as follows:

	Payments Due by Year						
	Total	2018	2019	2020	2021	2022	Thereafter
	(In thousands)						
Principal debt repayments(1)	$ 1,325,000	$ —	$ 200,377	$ 404,971	$ 719,652	$ —	$ —

(1) Includes the scheduled principal maturities for the $525.0 million aggregate principal amount of Senior Notes issued in August 2014 and April 2015 and the Facility. The scheduled maturities of debt related to the Facility are based on the level of borrowings and the estimated future available borrowing base as of December 31, 2017. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter. As of December 31, 2017, there were no borrowings under the Corporate Revolver.

Interest and other financing costs, net

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

	Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Interest expense	$ 92,687	$ 89,029	$ 74,897
Amortization—deferred financing costs	10,204	10,204	10,324
Loss on extinguishment of debt	—	—	165
Capitalized interest	(30,282)	(59,803)	(52,392)
Deferred interest	2,577	(581)	1,770
Interest income	(3,422)	(1,954)	(844)
Other, net	5,831	7,252	3,289
Interest and other financing costs, net	$ 77,595	$ 44,147	$ 37,209

9. Derivative Financial Instruments

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

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

Oil Derivative Contracts

The following table sets forth the volumes in barrels underlying the Company's outstanding oil derivative contracts and the weighted average Dated Brent prices per Bbl for those contracts as of December 31, 2017. Volumes are net of any offsetting derivative contracts entered into.

			Weighted Average Dated Brent Price per Bbl					
Term	Type of Contract	MBbl	Net Deferred Premium Payable	Swap	Sold Put	Floor	Ceiling	Call
2018:								
January — December	Swap with puts	2,000	$ —	$ 54.32	$ 40.00	$ —	$ —	$ —
July — December	Swap with puts	2,000	—	57.96	45.00	—	—	—
January — June	Swaps	1,000	—	57.25	—	—	—	—
January — December	Three-way collars	2,913	0.74	—	41.57	56.57	65.90	—
January — December	Four-way collars	3,000	1.06	—	40.00	50.00	61.33	70.00
January — December	Sold calls(1)	2,000	—	—	—	—	65.00	—
2019:								
January — December	Three-way collars	6,500	$ 0.18	$ —	$ 41.54	$ 51.54	$ 63.80	$ —
January — December	Two-way collars	2,000	1.62	—	—	55.00	65.00	—
January — December	Sold calls(1)	913	—	—	—	—	80.00	—

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

In January 2018, we entered into three-way costless collar contracts for 1.0 MMBbl from January 2019 through December 2019 with a sold put price of $45.00, a floor price of $55.00 per barrel and a ceiling price of $72.90 per barrel. The contracts are indexed to Dated Brent prices.

In February 2018, we sold 2.0 MMBbl of put contracts from January 2019 through December 2019 with a strike of $47.50 per barrel. We used part of the proceeds to increase our upside exposure by purchasing 1.0 MMBbl of calls in the second half of 2018 with a strike of $70.00 per barrel. These contracts are indexed to Dated Brent prices and have a net deferred premium receivable of $3.1 million.

Interest Rate Derivative Contracts

The following table summarizes our capped interest rate swaps whereby we pay a fixed rate of interest if LIBOR is below the cap, and pay the market rate less the spread between the cap (sold call) and the fixed rate of interest if LIBOR is above the cap as of December 31, 2017:

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

See Note 10—Fair Value Measurements for additional information regarding the Company's derivative instruments.

The following tables disclose the Company's derivative instruments as of December 31, 2017 and 2016 and gain/(loss) from derivatives during the years ended December 31, 2017, 2016 and 2015.

		Estimated Fair Value Asset (Liability)	
		December 31,	
Type of Contract	Balance Sheet Location	2017	2016
		(In thousands)	
Derivatives not designated as hedging instruments:			
Derivative assets:			
Commodity(1)	Derivatives assets—current	$ 665	$ 31,698
Interest rate	Derivatives assets—current	1,017	—
Commodity(2)	Derivatives assets—long-term	39	3,226
Interest rate	Derivatives assets—long-term	—	582
Derivative liabilities:			
Commodity(3)	Derivatives liabilities—current	(67,531)	(19,163)
Interest rate	Derivatives liabilities—current	—	(529)
Commodity(4)	Derivatives liabilities—long-term	(30,209)	(14,123)
Total derivatives not designated as hedging instruments		$ (96,019)	$ 1,691

(1) Includes net deferred premiums receivable of $0.8 million and net deferred premiums payable of $3.9 million related to commodity derivative contracts as of December 31, 2017 and 2016, respectively.

(2) Includes net deferred premiums receivable of $0.1 million and net deferred premiums payable of $2.5 million related to commodity derivative contracts as of December 31, 2017 and 2016, respectively.

(3) Includes zero and $30.9 thousand as of December 31, 2017 and December 31, 2016, respectively which represents our provisional oil sales contract. Also, includes net deferred premiums payable of $5.6 million and $6.2 million related to commodity derivative contracts as of December 31, 2017 and 2016, respectively.

(4) Includes net deferred premiums payable of $4.8 million and $0.6 million related to commodity derivative contracts as of December 31, 2017 and 2016, respectively.

Type of Contract	Location of Gain/(Loss)	Amount of Gain/(Loss) Years Ended December 31, 2017	2016	2015
		(In thousands)		
Derivatives in cash flow hedging relationships:				
Interest rate(1)	Interest expense	$ —	$ —	$ 767
Total derivatives in cash flow hedging relationships		$ —	$ —	$ 767
Derivatives not designated as hedging instruments:				
Commodity(2)	Oil and gas revenue	$ (12,502)	$ 2,538	$ 3
Commodity	Derivatives, net	(59,968)	(48,021)	210,649
Interest rate	Interest expense	648	(1,076)	(462)
Total derivatives not designated as hedging instruments		$ (71,822)	$ (46,559)	$ 210,190

(1) Amounts were reclassified from AOCI into earnings upon settlement.

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

Offsetting of Derivative Assets and Derivative Liabilities

Our derivative instruments which are subject to master netting arrangements with our counterparties only have the right of offset when there is an event of default. As of December 31, 2017 and 2016, there was not an event of default and, therefore, the associated gross asset or gross liability amounts related to these arrangements are presented on the consolidated balance sheets.

10. Fair Value Measurements

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

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

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2017 and 2016, for each fair value hierarchy level:

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(In thousands)			
December 31, 2017				
Assets:				
Commodity derivatives	$ —	$ 704	$ —	$ 704
Interest rate derivatives	—	1,017	—	1,017
Liabilities:				
Commodity derivatives	—	(97,740)	—	(97,740)
Interest rate derivatives	—	—	—	—
Total	$ —	$ (96,019)	$ —	$ (96,019)
December 31, 2016				
Assets:				
Commodity derivatives	$ —	$ 34,924	$ —	$ 34,924
Interest rate derivatives	—	582	—	582
Liabilities:				
Commodity derivatives	—	(33,286)	—	(33,286)
Interest rate derivatives	—	(529)	—	(529)
Total	$ —	$ 1,691	$ —	$ 1,691

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

Commodity Derivatives

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

Provisional Oil Sales

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

Interest Rate Derivatives

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

Debt

The following table presents the carrying values and fair values at December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Senior Notes	$ 507,600	$ 542,472	$ 503,716	$ 528,938
Facility	800,000	800,000	850,000	850,000
Total	$ 1,307,600	$ 1,342,472	$ 1,353,716	$ 1,378,938

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

11. Asset Retirement Obligations

The following table summarizes the changes in the Company's asset retirement obligations:

	December 31,	
	2017	2016
	(In thousands)	
Asset retirement obligations:		
Beginning asset retirement obligations	$ 63,574	$ 43,938
Liabilities incurred during period	—	14,235
Revisions in estimated retirement obligations	(3,945)	—
Accretion expense	6,966	5,401
Ending asset retirement obligations	$ 66,595	$ 63,574

The Ghanaian legal and regulatory regime regarding oil field abandonment and other environmental matters is evolving. Currently, no Ghanaian environmental regulations expressly require that companies abandon or remove offshore assets. Under the Environmental Permit for the Jubilee Field, a decommissioning plan will be prepared and submitted to the Ghana Environmental Protection Agency. ASC 410—Asset Retirement and Environmental Obligations requires the Company to recognize this liability in the period in which the liability was incurred. The TEN fields commenced production during the third quarter of 2016 and an asset retirement obligation was recorded for the facilities and wells that came online during 2016. Additional asset retirement obligations will be recorded in the period in which additional wells within our producing fields are commissioned.

12. Equity-based Compensation

Restricted Stock Awards and Restricted Stock Units

Prior to our corporate reorganization in May 2011, Kosmos Energy Holdings issued common units designated as profit units with a threshold value ranging from $0.85 to $90 to employees, management and directors. Profit units were equity awards that were measured on the grant date and expensed over a vesting period of four years. Founding management and directors vested 20% as of the date of issuance and an additional 20% on the anniversary date for each of the next four years. Profit units issued to employees vested 50% on the second and fourth anniversaries of the issuance date.

As part of the corporate reorganization in May 2011, vested profit units were exchanged for 31.7 million common shares of Kosmos Energy Ltd., unvested profit units were exchanged for 10.0 million restricted stock awards and the $90 profit units were cancelled. These restricted stock awards ultimately vested during 2015. Based on the terms and conditions of the corporate reorganization, the exchange of profit units for common shares of Kosmos Energy Ltd. resulted in no incremental compensation costs.

In April 2011, the Board of Directors approved the LTIP, which provides for the granting of incentive awards in the form of stock options, stock appreciation rights, restricted stock awards, restricted stock units, among other award types. In January

2015, the board of directors approved an amendment to the plan to add 15.0 million shares to the plan which was approved at the Annual General Meeting in June 2015. The LTIP provides for the issuance of 39.5 million shares pursuant to awards under the plan, in addition to the 10.0 million restricted stock awards exchanged for unvested profit units. As of December 31, 2017, the Company had approximately 3.4 million shares that remain available for issuance under the LTIP.

The Company adopted ASU 2016-9, "Improvements to Employee Share-based Payment Accounting" during the second quarter of 2016 using an effective date of January 1, 2016. Prior period compensation expense disclosed below includes estimated forfeitures and has not been adjusted.

We record equity-based compensation expense equal to the fair value of share-based payments over the vesting periods of the LTIP awards. We recorded compensation expense from awards granted under our LTIP of $40.0 million, $40.1 million and $75.1 million during the years ended December 31, 2017, 2016 and 2015, respectively. The total tax benefit for the years ended December 31, 2017, 2016 and 2015 was $13.2 million, $13.0 million and $25.7 million, respectively. Additionally, we expensed a tax shortfall related to equity-based compensation of $3.1 million, $5.5 million and $18.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. The fair value of awards vested during 2017, 2016 and 2015 was approximately $21.2 million, $14.4 million, and $52.2 million, respectively. The Company granted both restricted stock awards and restricted stock units with service vesting criteria and granted both restricted stock awards and restricted stock units with a combination of market and service vesting criteria under the LTIP. Substantially, all of these awards vest over three or four year periods. Restricted stock awards are issued and included in the number of outstanding shares upon the date of grant and, if such awards are forfeited, they become treasury stock. Upon vesting, restricted stock units become issued and outstanding stock.

The following table reflects the outstanding restricted stock awards as of December 31, 2017:

	Service Vesting Restricted Stock Awards	Weighted- Average Grant-Date Fair Value	Market / Service Vesting Restricted Stock Awards	Weighted- Average Grant-Date Fair Value
	(In thousands)		(In thousands)	
Outstanding at December 31, 2014:	3,240	$ 16.95	3,361	$ 13.00
Granted	660	8.64	—	—
Forfeited	(2)	12.84	(1,554)	13.29
Vested	(3,088)	17.21	(1,546)	13.30
Outstanding at December 31, 2015:	810	9.20	261	9.44
Granted	—	—	—	—
Forfeited	—	—	(162)	9.44
Vested	(322)	9.77	(99)	9.44
Outstanding at December 31, 2016:	488	8.83	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	(268)	8.97	—	—
Outstanding at December 31, 2017:	220	8.64	—	—

The following table reflects the outstanding restricted stock units as of December 31, 2017:

	Service Vesting Restricted Stock Units	Weighted- Average Grant-Date Fair Value	Market / Service Vesting Restricted Stock Units	Weighted-Average Grant-Date Fair Value
	(In thousands)		(In thousands)	
Outstanding at December 31, 2014:	3,367	$ 10.76	3,246	$ 15.66
Granted	1,539	8.37	3,544	12.96
Forfeited	(254)	10.14	(212)	14.48
Vested	(1,060)	10.71	—	—
Outstanding at December 31, 2015:	3,592	9.79	6,578	14.24
Granted	2,158	4.05	1,379	4.88
Forfeited	(134)	8.87	(70)	14.49
Vested	(1,456)	9.61	(693)	15.81
Outstanding at December 31, 2016:	4,160	6.91	7,194	12.29
Granted	2,085	6.43	2,175	9.50
Forfeited	(137)	6.91	(21)	6.21
Vested	(1,925)	7.51	(896)	15.43
Outstanding at December 31, 2017:	4,183	6.39	8,452	11.26

As of December 31, 2017, total equity-based compensation to be recognized on unvested restricted stock awards and restricted stock units is $23.6 million over a weighted average period of 1.5 years.

For restricted stock awards and restricted stock units with a combination of market and service vesting criteria, the number of common shares to be issued is determined by comparing the Company's total shareholder return with the total shareholder return of a predetermined group of peer companies over the performance period and can vest up to 100% of the awards granted for restricted stock awards and up to 200% of the awards granted for restricted stock units. The grant date fair value of these awards ranged from $6.70 to $13.57 per award for restricted stock awards and $4.83 to $15.81 per award for restricted stock units. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. The expected volatility utilized in the model was estimated using our historical volatility and the historical volatilities of our peer companies and ranged from 41.3% to 56.7% for restricted stock awards and 44.0% to 54.0% for restricted stock units. The risk-free interest rate was based on the U.S. treasury rate for a term commensurate with the expected life of the grant was 0.5% for restricted stock awards and and ranged from 0.5% to 1.4% for restricted stock units.

For profit units that were exchanged for restricted stock awards, the significant assumptions used to calculate the fair values of the profit units granted as calculated using a binomial tree, were as follows: no dividend yield, expected volatility ranging from approximately 25% to 66%; risk-free interest rate ranging from 1.3% to 5.1%; expected life ranging from 1.2 to 8.1 years; and projected turnover rates ranging from 7.0% to 27.0% for employees and none for management. For profit units granted immediately prior to our initial public offering, we utilized the midpoint of the range of the estimated offering price, or $17.00 per share.

In January 2018, we granted 1.8 million service vesting restricted stock units and 2.3 million market and service vesting restricted stock units to our employees under our long-term incentive plan. We expect to recognize approximately $34.3 million of non-cash compensation expense related to these grants over the next three years.

13. Income Taxes

Kosmos Energy Ltd. is a Bermuda company that is not subject to taxation at the corporate level. We provide for income taxes based on the laws and rates in effect in the countries in which our operations are conducted. The relationship between our pre-tax income or loss from continuing operations and our income tax expense or benefit varies from period to period as a result of various factors which include changes in total pre-tax income or loss, the jurisdictions in which our income (loss) is earned and the tax laws in those jurisdictions.

On December 22, 2017, the President of the United States signed P.L. 115-97, the Tax Cut and Jobs Act (the Tax Reform Act), into law. Many of the provisions of the Tax Reform Act are effective beginning January 1, 2018, most notable of which is the reduction in the U.S. corporate income tax rate from 35% to 21%. Accounting Standards Codification Topic 740 requires deferred tax assets and liabilities be adjusted for the effect of changes in tax laws or tax rates during the period that includes the date of enactment. Accordingly, we have recorded a $16.7 million charge to deferred tax expense in December 2017 as a result of reducing our net deferred tax assets.

The components of income (loss) before income taxes were as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Bermuda	$ (66,914)	$ (63,749)	$ (62,372)
United States	6,068	5,083	10,652
Foreign—other	(117,009)	(235,898)	137,156
Income (loss) before income taxes	$ (177,855)	$ (294,564)	$ 85,436

The components of the provision for income taxes attributable to our income (loss) before income taxes consist of the following:

	Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Current:			
Bermuda	$ —	$ —	$ —
United States	10,976	12,675	15,199
Foreign—other	24,456	102	29,287
Total current	35,432	12,777	44,486
Deferred:			
Bermuda	—	—	—
United States	15,310	(3,594)	8,241
Foreign—other	(5,805)	(19,967)	102,545
Total deferred	9,505	(23,561)	110,786
Income tax expense (benefit)	$ 44,937	$ (10,784)	$ 155,272

Our reconciliation of income tax expense (benefit) computed by applying our Bermuda statutory rate and the reported effective tax rate on income (loss) from continuing operations is as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Tax at Bermuda statutory rate	$ —	$ —	$ —
Foreign income (loss) taxed at different rates	(1,978)	(57,898)	94,184
Change in valuation allowance and the expiration of fully valued deferred tax assets	6,008	29,263	40,600
Non-deductible and other items(1)	21,100	12,347	1,885
Tax shortfall on equity-based compensation	3,086	5,504	18,603
Change in U.S. tax rate	16,721	—	—
Total tax expense (benefit)	$ 44,937	$ (10,784)	$ 155,272
Effective tax rate(2)	25%	4%	182%

(1) Includes $5.0 million of tax expense related to the expiration of a Moroccan tax loss carryforward; $4.7 million of tax related interest expense incurred in 2017; and other various items.

(2) The effective tax rate during the years ended December 31, 2017, 2016 and 2015 were impacted by losses of $164.4 million, $121.4 million and $153.5 million, respectively, incurred in jurisdictions in which we are not subject to taxes and therefore do not generate any income tax benefits.

The effective tax rate for the United States is approximately 433%, 179% and 220% for the years ended December 31, 2017, 2016 and 2015, respectively. The effective tax rate in the United States is impacted by the effect of writing-down our deferred tax assets as a result of the change in tax rate under the Act and the sum of equity-based compensation tax shortfalls and tax windfalls equal to the difference between the income tax benefit recognized for financial statement reporting purposes compared to the income tax benefit realized for tax return purposes.

The effective tax rate for Ghana is approximately 49%, 23% and 35% for the years ended December 31, 2017, 2016 and 2015, respectively. The effective tax rate in Ghana is impacted by non-deductible expenditures, including amounts associated with the damage to the turret bearing, which we expect to recover from insurance proceeds. Any such insurance recoveries would not be subject to income tax.

Our operations in other foreign jurisdictions have a 0% effective tax rate because they reside in countries with a 0% statutory rate or we have incurred losses in those countries and have full valuation allowances against the corresponding net deferred tax assets.

Deferred tax assets and liabilities, which are computed on the estimated income tax effect of temporary differences between financial and tax bases in assets and liabilities, are determined using the tax rates expected to be in effect when taxes are actually paid or recovered. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The tax effects of significant temporary differences giving rise to deferred tax assets and liabilities are as follows:

	December 31,	
	2017	2016
	(In thousands)	
Deferred tax assets:		
Foreign capitalized operating expenses	$ 68,218	$ 69,804
Foreign net operating losses	25,307	36,352
Equity compensation	20,783	30,752
Unrealized derivative losses	33,963	—
Asset retirement obligation and other	24,784	33,744
Total deferred tax assets	173,055	170,652
Valuation allowance	(93,525)	(87,517)
Total deferred tax assets, net	79,530	83,135
Deferred tax liabilities:		
Depletion, depreciation and amortization related to property and equipment	(533,561)	(526,945)
Unrealized derivative gains	—	(584)
Total deferred tax liabilities	(533,561)	(527,529)
Net deferred tax liability	$ (454,031)	$ (444,394)

The Company has recorded a full valuation allowance against the net deferred tax assets in countries where we only have exploration operations.

The Company has foreign net operating loss carryforwards of $94.1 million. Of these losses, we expect $0.9 million, $0.5 million, $0.5 million, $0.6 million, $0.7 million and $15.0 million to expire in 2019, 2020, 2021, 2022, 2023 and 2029, respectively, and $75.9 million do not expire. All of these losses currently have offsetting valuation allowances.

A subsidiary of the Company files a U.S. federal income tax return and a Texas margin tax return. The Company is open to U.S. federal income tax examinations for tax years 2014 through 2017 and to Texas margin tax examinations for the tax years 2011 through 2017. In addition to the United States, the Company files income tax returns in the countries in which we operate.

The Company is open to income tax examinations for years 2014 through 2017 in its significant other foreign jurisdictions, primarily Ghana.

As of December 31, 2017, the Company had no material uncertain tax positions. The Company's policy is to recognize potential interest and penalties related to income tax matters in income tax expense.

14. Net Income (Loss) Per Share

In the calculation of basic net income per share, participating securities are allocated earnings based on actual dividend distributions received plus a proportionate share of undistributed net income, if any. We calculate basic net income per share under the two-class method. Diluted net income (loss) per share is calculated under both the two-class method and the treasury stock method and the more dilutive of the two calculations is presented. The computation of diluted net income (loss) per share reflects the potential dilution that could occur if all outstanding awards under our LTIP were converted into common shares or resulted in the issuance of common shares that would then share in the earnings of the Company. During periods in which the Company realizes a loss from continuing operations securities would not be dilutive to net loss per share and conversion into common shares is assumed not to occur.

Basic net income (loss) per share is computed as (i) net income (loss), (ii) less income allocable to participating securities (iii) divided by weighted average basic shares outstanding. The Company's diluted net income (loss) per share is computed as (i) basic net income (loss), (ii) plus diluted adjustments to income allocable to participating securities (iii) divided by weighted average diluted shares outstanding.

	Years Ended December 31,		
	2017	2016	2015
	(In thousands, except per share data)		
Numerator:			
Net loss	(222,792)	(283,780)	$ (69,836)
Basic income allocable to participating securities(1)	—	—	—
Basic net loss allocable to common shareholders	(222,792)	(283,780)	(69,836)
Diluted adjustments to income allocable to participating securities(1)	—	—	—
Diluted net loss allocable to common shareholders	(222,792)	(283,780)	$ (69,836)
Denominator:			
Weighted average number of shares outstanding:			
Basic	388,375	385,402	382,610
Restricted stock awards and units(1)(2)	—	—	—
Diluted	388,375	385,402	382,610
Net loss per share:			
Basic	$ (0.57)	$ (0.74)	$ (0.18)
Diluted	$ (0.57)	$ (0.74)	$ (0.18)

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

(2) For the years ended December 31, 2017, 2016 and 2015, we excluded 12.9 million, 11.8 million and 11.2 million outstanding restricted stock awards and restricted stock units, respectively, from the computations of diluted net income per share because the effect would have been anti-dilutive.

15. Commitments and Contingencies

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

The Jubilee Field in Ghana covers an area within both the WCTP and DT petroleum contract areas. It was agreed the Jubilee Field would be unitized for optimal resource recovery. Kosmos and its partners executed a comprehensive unitization and unit operating agreement, the Jubilee UUOA, to unitize the Jubilee Field and govern each party's respective rights and duties in the Jubilee Unit, which was effective July 16, 2009. Pursuant to the terms of the Jubilee UUOA, the tract participations are subject to a process of redetermination. The initial redetermination process was completed on October 14, 2011. As a result of the initial redetermination process, our Unit Interest is 24.1%. These consolidated financial statements are based on these re determined tract participations. Our unit interest may change in the future should another redetermination occur.

The Company leases facilities under various operating leases that expire through 2027, including our office space. Rent expense under these agreements, was $3.3 million, $3.3 million and $4.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

We currently have a commitment to drill one exploration well in Mauritania. In Mauritania, our partner is obligated to fund our share of the cost of the exploration well, subject to their maximum $228 million cumulative exploration and appraisal carry covering both our Mauritania and Senegal blocks. In Equatorial Guinea, Mauritania and Cote d'Ivoire, we have 3D seismic requirements of approximately 6,000 square kilometers, 7,600 square kilometers and 12,000 square kilometers, respectively. The Equatorial Guinea exploration block commitments are subject to ratification by the President of Equatorial Guinea.

In November 2017, we entered into a one well drilling rig contract for the ENSCO DS-12 plus six well options. We have completed the initial well and have exercised one of the six option wells to be drilled in 2018.

Future minimum rental commitments under our leases at December 31, 2017, are as follows:

	Payments Due By Year(1)						
	Total	2018	2019	2020	2021	2022	Thereafter
	(In thousands)						
Operating leases(2)	$ 12,626	$ 4,981	$ 4,370	$ 484	$ 419	$ 418	$ 1,954

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

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

16. Additional Financial Information

Accrued Liabilities

Accrued liabilities consisted of the following:

	December 31,	
	2017	2016
	(In thousands)	
Accrued liabilities:		
Exploration, development and production	$ 144,717	$ 76,194
General and administrative expenses	31,124	31,243
Interest	20,457	17,247
Income taxes	17,423	2,579
Taxes other than income	3,270	1,914
Other	2,421	529
	$ 219,412	$ 129,706

Other Income, net

Other income, net consisted of $58.7 million, $74.8 million and zero of Loss of Production Income ("LOPI") proceeds related to the turret bearing issue on the Jubilee FPSO for the years ended December 31, 2017, 2016 and 2015.

Oil and Gas Production

Oil and gas production expense included insurance recoveries related to our increased cost of working covered by our LOPI policy of $17.1 million, $7.5 million, and zero for the years ended December 31, 2017, 2016 and 2015, respectively.

Facilities Insurance Modifications, net

Facilities insurance modifications consist of costs associated with the long-term solution to convert the FPSO to a permanently spread moored facility which we expect to recover from our insurance policy. Any insurance reimbursement of these costs is also be recorded to this line.

Other Expenses, net

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

	Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Inventory write-off	$ 866	$ 14,900	$ 36
(Gain) loss on insurance settlements	(461)	(4,003)	4,151
Disputed charges and related costs	4,962	11,299	—
Other, net	(76)	920	1,059
Other expenses, net	$ 5,291	$ 23,116	$ 5,246

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

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Supplemental Oil and Gas Data (Unaudited)

Net proved oil and gas reserve estimates presented were prepared by Ryder Scott Company, L.P. ("RSC") for the years ended December 31, 2017, 2016 and 2015. RSC are independent petroleum engineers located in Houston, Texas. RSC has prepared the reserve estimates presented herein and meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. We maintain an internal staff of petroleum engineers and geoscience professionals who work closely with our independent reserve engineers to ensure the integrity, accuracy and timeliness of data furnished to independent reserve engineers for their reserves estimation process.

Net Proved Developed and Undeveloped Reserves

The following table is a summary of net proved developed and undeveloped oil and gas reserves to Kosmos' interest in the Jubilee and TEN fields in Ghana and our equity method investment.

	Kosmos Entities			Equity Method Investment - Equatorial Guinea			
	Oil	Gas	Total	Oil	Gas	Total	Total
	(MMBbl)	(Bcf)	(MMBoe)	(MMBbl)	(Bcf)	(MMBoe)	(MMBoe)
Net proved developed and undeveloped reserves at December 31, 2014(1)	73	14	75	—	—	—	75
Production	(9)	(1)	(9)	—	—	—	(9)
Revision in estimate(3)	10	1	10	—	—	—	10
Net proved developed and undeveloped reserves at December 31, 2015(1)	74	14	76	—	—	—	76
Production	(7)	(1)	(7)	—	—	—	(7)
Revision in estimate(4)	7	2	8	—	—	—	8
Net proved developed and undeveloped reserves at December 31, 2016(1)	74	15	77	—	—	—	77
Extensions and discoveries	1	—	1	—	—	—	1
Production	(11)	(1)	(11)	(1)	—	(1)	(12)
Revision in estimate(5)	18	35	24	—	—	—	24
Purchases of minerals-in-place(6)	—	—	—	20	13	21	21
Net proved developed and undeveloped reserves at December 31, 2017(1)	82	49	89	19	13	21	110
Proved developed reserves(1)							
December 31, 2015	50	10	52	—	—	—	52
December 31, 2016	64	13	66	—	—	—	66
December 31, 2017	59	38	65	18	13	20	85
Proved undeveloped reserves(1)							
December 31, 2015	24	4	25	—	—	—	25
December 31, 2016	10	2	11	—	—	—	11
December 31, 2017	23	11	24	1	—	1	25

(1) The sum of proved developed reserves and proved undeveloped reserves may not add to net proved developed and undeveloped reserves as a result of rounding.

(2) Discoveries are related to the TEN fields being moved from unproved to proved during 2014.

(3) The increase in proved reserves is a result of a 2 MMBbl increase associated with in-fill drilling results and a 10 MMBbl increase associated with field performance for Jubilee partially offset by 2 MMBbl of negative revisions to the TEN fields due to decreased pricing.

(4) The increase in proved reserves is a result of an 8 MMBbl increase associated with positive revisions to the TEN fields as a result of the completion of seven wells along with the initiation of TEN production partially offset by 1 MMBbl of negative revisions to the Jubilee Field due to decreased pricing.

(5) The increase in proved reserves is a result of a 16 MMBbl increase associated in Jubilee related to the approval of the Greater Jubilee Full Field Development Plan (GJFFDP) and an 8 MMBoe increase associated with positive revisions to the TEN fields.

(6) The increase in purchase of minerals in place is related to Equatorial Guinea, representing the reserves associated with our equity method investment.

Net proved reserves were calculated utilizing the twelve month unweighted arithmetic average of the first-day-of-the-month oil price for each month for Brent crude in the period January through December 2017. The average 2017 Brent crude price of $54.42 per barrel is adjusted for crude handling, transportation fees, quality, and a regional price differential. Based on the crude quality, these adjustments are estimated to be $0.10 premium, $0.02 premium and $0.53 discount per barrel for Jubilee, TEN and our equity method investment, respectively; therefore, the adjusted oil price is $54.52, $54.44 and $53.89 per barrel for Jubilee, TEN and our equity method investment, respectively.

Proved oil and gas reserves are defined by the SEC Rule 4.10(a) of Regulation S-X as those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recovered under current economic conditions, operating methods, and government regulations. Inherent uncertainties exist in estimating proved reserve quantities, projecting future production rates and timing of development expenditures.

Capitalized Costs Related to Oil and Gas Activities

The following table presents aggregate capitalized costs related to oil and gas activities:

	Ghana	Other(1)	Kosmos Total	Equity Method Investment-Equatorial Guinea(2)	Total
		(In thousands)			
As of December 31, 2017					
Unproved properties	$ 55,179	$ 409,930	$ 465,109	$ —	$ 465,109
Proved properties	3,080,670	—	3,080,670	2,850,521	5,931,191
	3,135,849	409,930	3,545,779	2,850,521	6,396,300
Accumulated depletion	(1,234,806)	—	(1,234,806)	(2,678,897)	(3,913,703)
Net capitalized costs	$ 1,901,043	$ 409,930	$ 2,310,973	$ 171,624	$ 2,482,597
As of December 31, 2016					
Unproved properties	$ 347,950	$ 571,106	$ 919,056		
Proved properties	2,771,779	—	2,771,779		
	3,119,729	571,106	3,690,835		
Accumulated depletion	(989,946)	—	(989,946)		
Net capitalized costs	$ 2,129,783	$ 571,106	$ 2,700,889		

(1) Includes Africa, excluding Ghana, Europe and South America.

(2) Represents 50% interest in KTIPI's capitalized costs related to oil and gas activities.

Costs Incurred in Oil and Gas Activities

The following tables reflects total costs incurred, both capitalized and expensed, for oil and gas property acquisition, exploration, and development activities for the year.

	Ghana	Other(1)	Kosmos Total	Equity Method Investment-Equatorial Guinea(2)	Total
			(In thousands)		
Year ended December 31, 2017					
Property acquisition:					
Unproved	$ —	$ 9,865	$ 9,865	$ —	$ 9,865
Proved(3)	—	231,280	231,280	—	231,280
Exploration	15,150	55,632	70,782	—	70,782
Development	1,364	—	1,364	—	1,364
Total costs incurred	$ 16,514	$ 296,777	$ 313,291	$ —	$ 313,291
Year ended December 31, 2016					
Property acquisition:					
Unproved	$ —	$ 17,322	$ 17,322		
Proved	—	—	—		
Exploration	11,871	425,229	437,100		
Development	265,451	—	265,451		
Total costs incurred	$ 277,322	$ 442,551	$ 719,873		
Year ended December 31, 2015					
Property acquisition:					
Unproved	$ —	$ 6,250	$ 6,250		
Proved	—	—	—		
Exploration(4)	12,441	367,196	379,637		
Development	462,066	—	462,066		
Total costs incurred	$ 474,507	$ 373,446	$ 847,953		

(1) Includes Africa, excluding Ghana, Europe and South America.

(2) Represents 50% interest in KTIPI costs incurred from the date of acquisition through December 31, 2017.

(3) Represents cash paid to acquire 50% interest in KTIPI.

(4) Does not include reimbursement of costs associated with exploration expenses incurred in prior years which resulted in a $24.7 million gain on sale in 2015.

Standardized Measure for Discounted Future Net Cash Flows

The following table provides projected future net cash flows based on the twelve month unweighted arithmetic average of the first-day-of-the-month oil price for Brent crude in the period January through December 2017. The average 2017 Brent crude price of $54.42 per barrel is adjusted for crude handling, transportation fees, quality, and a regional price differential. Based on the crude quality, these adjustments are estimated to be $0.10 premium, a $0.02 premium and a $0.53 discount relative to Dated Brent for the Jubilee Field, TEN fields and our equity method investment, respectively. The adjusted price utilized to derive the Jubilee Field PV-10, TEN PV-10 and equity method investment PV-10 is $54.52, $54.44 and $53.89, respectively.

Because prices used in the calculation are average prices for that year, the standardized measure could vary significantly from year to year based on market conditions that occur.

The projection should not be interpreted as representing the current value to Kosmos. Material revisions to estimates of proved reserves may occur in the future; development and production of the reserves may not occur in the periods assumed; actual prices realized are expected to vary significantly from those used; and actual costs may vary. Kosmos' investment and operating

decisions are not based on the information presented, but on a wide range of reserve estimates that include probable as well as proved reserves and on a wide range of different price and cost assumptions.

The standardized measure is intended to provide a better means to compare the value of Kosmos' proved reserves at a given time with those of other oil producing companies than is provided by comparing raw proved reserve quantities.

	Ghana	Equity Method Investment-Equatorial Guinea	Total
	(In millions)		
At December 31, 2017			
Future cash inflows	$ 4,473	$ 1,003	$ 5,476
Future production costs	(1,925)	(473)	(2,398)
Future development costs	(1,059)	(296)	(1,355)
Future Ghanaian tax expenses(1)	(203)	(225)	(428)
Future net cash flows	1,286	9	1,295
10% annual discount for estimated timing of cash flows	(315)	121	(194)
Standardized measure of discounted future net cash flows	$ 971	$ 130	$ 1,101
At December 31, 2016			
Future cash inflows	$ 3,204		
Future production costs	(1,437)		
Future development costs	(428)		
Future Ghanaian tax expenses(1)	(228)		
Future net cash flows	1,111		
10% annual discount for estimated timing of cash flows	(265)		
Standardized measure of discounted future net cash flows	$ 846		
At December 31, 2015			
Future cash inflows	$ 3,998		
Future production costs	(1,362)		
Future development costs	(679)		
Future Ghanaian tax expenses(1)	(411)		
Future net cash flows	1,546		
10% annual discount for estimated timing of cash flows	(377)		
Standardized measure of discounted future net cash flows	$ 1,169		

(1) The Company is a tax exempt company incorporated pursuant to the laws of Bermuda. The Company has not been and does not expect to be subject to future income tax expense related to its proved oil and gas reserves levied at a corporate parent level. Accordingly, the Company's Standardized Measure for the years ended December 31, 2017, 2016 and 2015, respectively, only reflect the effects of future tax expense levied at an asset level (in the Company's case, future Ghanaian tax expense).

Changes in the Standardized Measure for Discounted Cash Flows

	Ghana	Equity Method Investment-Equatorial Guinea	Total
	(In millions)		
Balance at December 31, 2014	$ 2,383	$ —	$ 2,383
Sales and transfers 2015	(341)	—	(341)
Net changes in prices and costs	(2,842)	—	(2,842)
Previously estimated development costs incurred during the period	417	—	417
Net changes in development costs	6	—	6
Revisions of previous quantity estimates	375	—	375
Net changes in Ghanaian tax expenses(1)	802	—	802
Accretion of discount	341	—	341
Changes in timing and other	28	—	28
Balance at December 31, 2015	$ 1,169	$ —	$ 1,169
Sales and transfers 2016	(191)	—	(191)
Net changes in prices and costs	(653)	—	(653)
Previously estimated development costs incurred during the period	225	—	225
Net changes in development costs	4	—	4
Revisions of previous quantity estimates	65	—	65
Net changes in Ghanaian tax expenses(1)	143	—	143
Accretion of discount	145	—	145
Changes in timing and other	(61)	—	(61)
Balance at December 31, 2016	$ 846	$ —	$ 846
Purchase of minerals in place	—	146	146
Sales and transfers 2017	(451)	(16)	(467)
Extensions and discoveries	21	—	21
Net changes in prices and costs	485	—	485
Previously estimated development costs incurred during the period	6	—	6
Net changes in development costs	(388)	—	(388)
Revisions of previous quantity estimates	415	—	415
Net changes in tax expenses(1)	(8)	—	(8)
Accretion of discount	98	—	98
Changes in timing and other	(53)	—	(53)
Balance at December 31, 2017	$ 971	$ 130	$ 1,101

(1) The Company is a tax exempt company incorporated pursuant to the laws of Bermuda. The Company has not been and does not expect to be subject to future income tax expense related to its proved oil and gas reserves levied at a corporate parent level. Accordingly, the Company's Standardized Measure for the years ended December 31, 2017, 2016 and 2015, respectively, only reflect the effects of future tax expense levied at an asset level (in the Company's case, future Ghanaian tax expense).

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Supplemental Quarterly Financial Information (Unaudited)

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(In thousands, except per share data)			
2017				
Revenues and other income	$ 151,966	$ 146,524	$ 151,242	$ 187,104
Costs and expenses	158,630	131,252	216,162	308,647
Net loss	(28,841)	(8,467)	(63,405)	(122,079)
Net loss per share:				
Basic(1)	(0.07)	(0.02)	(0.16)	(0.31)
Diluted(1)	(0.07)	(0.02)	(0.16)	(0.31)
2016				
Revenues and other income	$ 62,133	$ 45,676	$ 66,629	$ 210,917
Costs and expenses	123,148	169,544	118,890	268,337
Net loss	(58,993)	(108,324)	(59,763)	(56,700)
Net loss per share:				
Basic(1)	(0.15)	(0.28)	(0.15)	(0.15)
Diluted(1)	(0.15)	(0.28)	(0.15)	(0.15)

(1) The sum of the quarterly earnings per share information may not add to the annual earnings per share information as a result of rounding.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer. This evaluation considered the various processes carried out under the direction of our disclosure committee in an effort to ensure that information required to be disclosed in the SEC reports we file or submit under the Exchange Act is accurate, complete and timely. However, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Consequently, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2017, in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

Evaluation of Changes in Internal Control over Financial Reporting

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

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles. All internal control systems have inherent limitations, including the possibility of human error and the possible circumvention of or overriding of controls. The design of an internal control system is also based in part upon assumptions and judgments made by management. As a result, even an effective system of internal controls can provide no more than reasonable assurance with respect to the fair presentation of financial statements and the processes under which they were prepared. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this report based on the framework in "Internal Control —Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, our Chief Executive Officer and our Chief Financial Officer concluded that our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this annual report on Form 10-K, has issued an attestation report on the effectiveness of internal control over financial reporting as of December 31, 2017 which is included in "Item 8. Financial Statements and Supplementary Data."

Item 9B. Other Information

Disclosures Required Pursuant to Section 13(r) of the Securities Exchange Act of 1934

Under the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) of the Exchange Act, we are required to include certain disclosures in our periodic reports if we or any of our "affiliates" (as defined in Rule 12b-2

under the Exchange Act) knowingly engaged in certain specified activities during the period covered by the report. Because the Securities and Exchange Commission ("SEC") defines the term "affiliate" broadly, it includes any entity controlled by us as well as any person or entity that controls us or is under common control with us ("control" is also construed broadly by the SEC).

We are not presently aware that we and our consolidated subsidiaries have knowingly engaged in any transaction or dealing reportable under Section 13(r) of the Exchange Act during the fiscal quarter ended December 31, 2017. In addition, except as described below, at the time of filing this annual report on Form 10-K, we are not aware of any such reportable transactions or dealings by companies that may be considered our affiliates as to whether they have knowingly engaged in any such reportable transactions or dealings during such period. Upon the filing of periodic reports by such other companies for the fiscal quarter or fiscal year ended December 31, 2017, as the case may be, additional reportable transactions may be disclosed by such companies.

As of December 31, 2017, funds affiliated with Warburg Pincus ("Warburg Pincus") held approximately 24% of our outstanding common shares. We are also a party to a shareholders agreement with Warburg Pincus pursuant to which, among other things, Warburg Pincus currently has the right to designate two members of our board of directors. Accordingly, Warburg Pincus may be deemed an "affiliate" of us, both currently and during the fiscal quarter ended December 31, 2017.

Disclosure relating to Warburg Pincus and its affiliates

Warburg Pincus informed us of (i) the information reproduced below (the "SAMIH Disclosure") regarding Santander Asset Management Investment Holdings Limited ("SAMIH. SAMIH is a company that may be considered an affiliate of Warburg Pincus. Because we and SAMIH may be deemed to be controlled by Warburg Pincus, we may be considered an "affiliate" of each of SAMIH for the purposes of Section 13(r) of the Exchange Act.

SAMIH Disclosure:

Quarter ended December 31, 2017

"Santander UK plc ("Santander UK") holds two savings accounts and one current account for two customers resident in the United Kingdom ("UK") who are currently designated by the United States ("US") under the Specially Designated Global Terrorist ("SDGT") sanctions program. Revenues and profits generated by Santander UK on these accounts in the year ended December 31, 2017 were negligible relative to the overall revenues and profits of Banco Santander SA.

Santander UK holds two frozen current accounts for two UK nationals who are designated by the US under the SDGT sanctions program. The accounts held by each customer have been frozen since their designation and have remained frozen through the year ended December 31, 2017. The accounts are in arrears (£1,844.73 in debit combined) and are currently being managed by Santander UK Collections & Recoveries department. No revenues or profits were generated by Santander UK on this account in the year ended December 31, 2017."

The SAMIH Disclosure relates solely to activities conducted by SAMIH and do not relate to any activities conducted by us. We have no involvement in or control over the activities of SAMIH, any of its predecessor companies or any of its subsidiaries. Other than as described above, we have no knowledge of the activities of SAMIH with respect to transactions with Iran, and we have not participated in the preparation of the SAMIH Disclosure. We have not independently verified the SAMIH Disclosure, are not representing to the accuracy or completeness of the SAMIH Disclosure and undertake no obligation to correct or update the SAMIH Disclosure.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated herein by reference to the 2017 Proxy Statement, which will be filed with the SEC not later than 120 days subsequent to December 31, 2017.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the 2017 Proxy Statement, which will be filed with the SEC not later than 120 days subsequent to December 31, 2017.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference to the 2017 Proxy Statement, which will be filed with the SEC not later than 120 days subsequent to December 31, 2017.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to the 2017 Proxy Statement, which will be filed with the SEC not later than 120 days subsequent to December 31, 2017.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference to the 2017 Proxy Statement, which will be filed with the SEC not later than 120 days subsequent to December 31, 2017.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) Financial statements

The financial statements filed as part of the Annual Report on Form 10-K are listed in the accompanying index to consolidated financial statements in Item 8, Financial Statements and Supplementary Data.

(2) Financial statement schedules

Schedule I—Condensed Parent Company Financial Statements

Under the terms of agreements governing the indebtedness of subsidiaries of Kosmos Energy Ltd. for 2017, 2016 and 2015 (collectively "KEL," the "Parent Company"), such subsidiaries are restricted from making dividend payments, loans or advances to KEL. Schedule I of Article 5-04 of Regulation S-X requires the condensed financial information of the Parent Company to be filed when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

The following condensed parent-only financial statements of KEL have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X and included herein. The Parent Company's 100% investment in its subsidiaries has been recorded using the equity basis of accounting in the accompanying condensed parent-only financial statements. The condensed financial statements should be read in conjunction with the consolidated financial statements of Kosmos Energy Ltd. and subsidiaries and notes thereto.

The terms "Kosmos," the "Company," and similar terms refer to Kosmos Energy Ltd. and its wholly owned subsidiaries, unless the context indicates otherwise. Certain prior period amounts have been reclassified to conform with the current year presentation. Such reclassifications had no impact on our reported net income, current assets, total assets, current liabilities, total liabilities or shareholders equity.

KOSMOS ENERGY LTD.

CONDENSED PARENT COMPANY BALANCE SHEETS

(In thousands, except share data)

	December 31,	
	2017	**2016**
Assets		
Current assets:		
Cash and cash equivalents	$ 297	$ 1,092
Receivables from subsidiaries	—	14,131
Prepaid expenses and other	290	417
Total current assets	587	15,640
Investment in subsidiaries at equity	1,419,890	1,580,459
Deferred financing costs, net of accumulated amortization of $13,951 and $11,213 at December 31, 2017 and December 31, 2016, respectively	2,510	5,248
Total assets	$ 1,422,987	$ 1,601,347
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 4	$ 13
Accounts payable to subsidiaries	332	—
Accrued liabilities	19,128	17,939
Total current liabilities	19,464	17,952
Long-term debt	506,411	502,196
Shareholders' equity:		
Preference shares, $0.01 par value; 200,000,000 authorized shares; zero issued at December 31, 2017 and December 31, 2016	—	—
Common shares, $0.01 par value; 2,000,000,000 authorized shares; 398,599,457 and 395,859,061 issued at December 31, 2017 and December 31, 2016, respectively	3,986	3,959
Additional paid-in capital	2,014,525	1,975,247
Accumulated deficit	(1,073,202)	(850,410)
Treasury stock, at cost, 9,188,819 and 9,101,395 shares at December 31, 2017 and December 31, 2016, respectively	(48,197)	(47,597)
Total shareholders' equity	897,112	1,081,199
Total liabilities and shareholders' equity	$ 1,422,987	$ 1,601,347

KOSMOS ENERGY LTD.

CONDENSED PARENT COMPANY STATEMENTS OF OPERATIONS

(In thousands)

	Years Ended December 31,		
	2017	**2016**	**2015**
Revenues and other income:			
Oil and gas revenue	$ —	$ —	$ —
Total revenues and other income	—	—	—
Costs and expenses:			
General and administrative	51,544	48,542	85,103
General and administrative recoveries—related party	(40,266)	(40,047)	(72,543)
Interest and other financing costs, net	55,596	55,253	49,572
Other expenses, net	40	1	240
Equity in losses of subsidiaries	155,878	220,031	7,464
Total costs and expenses	222,792	283,780	69,836
Loss before income taxes	(222,792)	(283,780)	(69,836)
Income tax expense	—	—	—
Net loss	$ (222,792)	$ (283,780)	$ (69,836)

KOSMOS ENERGY LTD.

CONDENSED PARENT COMPANY STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31,		
	2017	**2016**	**2015**
Operating activities			
Net loss	$ (222,792)	$ (283,780)	$ (69,836)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Equity in losses of subsidiaries	155,878	220,031	7,464
Equity-based compensation	39,913	40,423	75,267
Amortization	3,070	3,070	3,190
Other	3,884	3,530	2,704
Changes in assets and liabilities:			
Decrease in receivables	986	—	—
(Increase) decrease in prepaid expenses and other	127	52	(34)
(Increase) decrease due to/from related party	14,463	(15,201)	1,224
Increase in accounts payable and accrued liabilities	1,179	312	2,721
Net cash provided by (used in) operating activities	(3,292)	(31,563)	22,700
Investing activities			
Investment in subsidiaries	4,691	(40,047)	(293,545)
Net cash provided by (used in) investing activities	4,691	(40,047)	(293,545)
Financing activities			
Net proceeds from issuance of senior secured notes	—	—	206,774
Purchase of treasury stock	(2,194)	(1,981)	(18,110)
Deferred financing costs	—	—	(9,030)
Net cash provided by (used in) financing activities	(2,194)	(1,981)	179,634
Net decrease in cash and cash equivalents	(795)	(73,591)	(91,211)
Cash and cash equivalents at beginning of period	1,092	74,683	165,894
Cash and cash equivalents at end of period	$ 297	$ 1,092	$ 74,683

Schedule II

Kosmos Energy Ltd.

Valuation and Qualifying Accounts

For the Years Ended December 31, 2017, 2016 and 2015

Description	Balance January 1,	Additions: Charged to Costs and Expenses	Additions: Charged To Other Accounts	Deductions From Reserves	Balance December 31,
2017					
Allowance for doubtful receivables	$ 574	$ 77	$ —	$ (651)	$ —
Allowance for deferred tax assets	$ 87,517	$ 6,008	$ —	$ —	$ 93,525
2016					
Allowance for doubtful receivables	$ —	$ 574	$ —	$ —	$ 574
Allowance for deferred tax assets	$ 116,541	$ (29,024)	$ —	$ —	$ 87,517
2015					
Allowance for doubtful receivables	$ —	$ —	$ —	$ —	$ —
Allowance for deferred tax assets	$ 75,941	$ 40,600	$ —	$ —	$ 116,541

Schedules other than Schedule I and Schedule II have been omitted because they are not applicable or the required information is presented in the consolidated financial statements or the notes to consolidated financial statements.

(3) Exhibits

See “Index to Exhibits” on page 141 for a description of the exhibits filed as part of this report.

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KOSMOS ENERGY LTD.

Date: February 26, 2018 By: /s/ Thomas P. Chambers

Thomas P. Chambers
Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Andrew G. Inglis Andrew G. Inglis	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 26, 2018
/s/ Brian F. Maxted Brian F. Maxted	Director and Chief Exploration Officer	February 26, 2018
/s/ Thomas P. Chambers Thomas P. Chambers	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2018
/s/ Paul M. Nobel Paul M. Nobel	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 26, 2018
/s/ Yves-Louis Darricarrére Yves-Louis Darricarrére	Director	February 26, 2018
/s/ Sir Richard B. Dearlove Sir Richard B. Dearlove	Director	February 26, 2018
/s/ David I. Foley David I. Foley	Director	February 26, 2018
/s/ David B. Krieger David B. Krieger	Director	February 26, 2018
/s/ Joseph P. Landy Joseph P. Landy	Director	February 26, 2018
/s/ Adebayo O. Ogunlesi Adebayo O. Ogunlesi	Director	February 26, 2018
/s/ Chris Tong Chris Tong	Director	February 26, 2018
/s/ Christopher A. Wright Christopher A. Wright	Director	February 26, 2018

INDEX OF EXHIBITS

Exhibit Number	Description of Document
	Governing Documents
3.1	Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1/A filed March 23, 2011 (File No. 333-171700), and incorporated herein by reference).
3.2	Memorandum of Association of the Company (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1/A filed March 23, 2011 (File No. 333-171700), and incorporated herein by reference).
3.3	Bye-laws of the Company (filed as Exhibit 4 to the Company's Registration Statement on Form 8-A filed May 6, 2011 (File No. 001-35167), and incorporated herein by reference).
4.1	Specimen share certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1/A filed April 25, 2011 (File No. 333-171700), and incorporated herein by reference).
	Operating Agreements
	Ghana
10.1	Petroleum Agreement in respect of West Cape Three Points Block Offshore Ghana dated July 22, 2004 among the GNPC, Kosmos Ghana and the E.O. Group (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1/A filed March 3, 2011 (File No. 333-171700), and incorporated herein by reference).
10.2	Operating Agreement in respect of West Cape Three Points Block Offshore Ghana dated July 27, 2004 between Kosmos Ghana and E.O. Group (filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1/A filed March 3, 2011 (File No. 333-171700), and incorporated herein by reference).
10.3	Petroleum Agreement in respect of the Deepwater Tano Contract Area dated March 10, 2006 among GNPC, Tullow Ghana, Sabre and Kosmos Ghana (filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1/A filed March 3, 2011 (File No. 333-171700), and incorporated herein by reference).
10.4	Joint Operating Agreement in respect of the Deepwater Tano Contract Area, Offshore Ghana dated August 14, 2006, among Tullow Ghana, Sabre Oil and Gas Limited, and Kosmos Ghana (filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1/A filed March 3, 2011 (File No. 333-171700), and incorporated herein by reference).
10.5	Assignment Agreement in respect of the Deepwater Tano Block dated September 1, 2006, among Anadarko WCTP and Kosmos Ghana (filed as Exhibit 10.5 to the Company's Registration Statement on Form S-1/A filed March 3, 2011 (File No. 333-171700), and incorporated herein by reference).
10.6	Unitization and Unit Operating Agreement covering the Jubilee Field Unit located offshore the Republic of Ghana dated July 13, 2009, among GNPC, Tullow, Kosmos Ghana, Anadarko WCTP, Sabre and E.O. Group (filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1/A filed March 3, 2011 (File No. 333-171700), and incorporated herein by reference).
10.7	Settlement Agreement, dated December 18, 2010 among Kosmos Ghana, Ghana National Petroleum Corporation and the Government of the Republic of Ghana (filed as Exhibit 10.32 to the Company's Registration Statement on Form S-1/A filed April 14, 2011 (File No. 333-171700), and incorporated herein by reference).
	Morocco
10.8	Petroleum Agreement Regarding the Exploration for Exploitation of Hydrocarbons among Office National Des Hydrocarbures Et Des Mines acting on behalf of the Kingdom of Morocco, Kosmos Energy Deepwater Morocco and Canamens Energy Morocco SARL in the area of interest named "Essaouira Offshore" dated September 9, 2011 (filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference).
10.9	Deed of Assignment in Petroleum Agreement for the Exploration for and Exploitation of Hydrocarbons in the zone of interest named "Essaouira Offshore" between Canamens Energy Morocco SARL and Kosmos Energy Deepwater Morocco dated December 19, 2012 (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference).
	Sao Tome and Principe
10.10	Production Sharing Contract relating to Block 5 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe and Equator Exploration STP Block 5 Limited dated April 18, 2012 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.11	Amendment No. 1, dated November 24, 2014, to the Production Sharing Contract relating to Block 5 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe and Equator Exploration STP Block 5 Limited dated April 18, 2012 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).

Exhibit Number	Description of Document
10.12	Amendment No. 2, dated September 15, 2015, to the Production Sharing Contract relating to Block 5 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe and Equator Exploration STP Block 5 Limited dated April 18, 2012 (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.13	Deed of Assignment relating to Block 5 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe, Equator Exploration STP Block 5 Limited and Kosmos Energy Sao Tome and Principe dated February 19, 2016 (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.14	Amendment No. 3, dated February 19, 2016, to the Production Sharing Contract relating to Block 5 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe, Equator Exploration STP Block 5 Limited and Kosmos Energy Sao Tome and Principe dated April 18, 2012 (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.15	Deed of Assignment relating to Block 5 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe, Equator Exploration STP Block 5 Limited, Galp Energia São Tomé e Príncipe, Unipessoal, LDA and Kosmos Energy Sao Tome and Principe dated December 13, 2016 (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K of the year ended December 31, 2016, and incorporated herein by reference).
10.16	Production Sharing Contract relating to Block 6 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe and Galp Energia São Tomé e Príncipe, Unipessoal, LDA dated October 26, 2015 (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.17	Addendum, dated November 9, 2015, to the Production Sharing Contract relating to Block 6 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe and Galp Energia São Tomé e Príncipe, Unipessoal, LDA dated October 26, 2015 (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.18	Deed of Assignment relating to Block 6 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe, Galp Energia São Tomé e Príncipe, Unipessoal, LDA and Kosmos Energy Sao Tome and Principe dated November 9, 2015 (filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.19	Production Sharing Contract relating to Block 11 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe and ERHC Energy EEZ, LDA dated July 23, 2014 (filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.20	Deed of Assignment relating to Block 11 Offshore Sao Tome between EHRC Energy EEZ, LDA and Kosmos Energy Sao Tome and Principe dated October 16, 2015 (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.21	First Addendum, dated December 17, 2015, to the Production Sharing Contract relating to Block 11 Offshore Sao Tome between the Democratic Republic of Sao Tome and Kosmos Energy Sao Tome and Principe dated July 23, 2014 (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.22	Deed of Assignment relating to Block 11 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe, Galp Energia São Tomé e Príncipe, Unipessoal, LDA and Kosmos Energy Sao Tome and Principe dated December 13, 2016 (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K of the year ended December 31, 2016, and incorporated herein by reference).
10.23	Production Sharing Contract relating to Block 12 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe and Equator Exploration STP Block 12 Limited dated February 19, 2016 (filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.24	Deed of Assignment relating to Block 12 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe, Equator Exploration STP Block 12 Limited and Kosmos Energy Sao Tome and Principe dated March 31, 2016 (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.25	First Amendment, dated March 31, 2016, to the Production Sharing Contract between the Democratic Republic of Sao Tome and Principe, Equator Exploration STP Block 12 Limited and Kosmos Energy Sao Tome and Principe dated February 19, 2016 (filed as Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and incorporated herein by reference).
10.26	Deed of Assignment relating to Block 12 Offshore Sao Tome between the Democratic Republic of Sao Tome and Principe, Equator Exploration STP Block 12 Limited, Galp Energia São Tomé e Príncipe, Unipessoal, LDA and Kosmos Energy Sao Tome and Principe dated December 13, 2016 (filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K of the year ended December 31, 2016, and incorporated herein by reference).
	Senegal

Exhibit Number	Description of Document
10.27	Hydrocarbon Exploration and Production Sharing Contract for the Cayar Offshore Profond between the Republic of Senegal and Petro-Tim Limited and Societe des Petroles du Senegal dated January 17, 2012 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, and incorporated herein by reference).
10.28	Hydrocarbon Exploration and Production Sharing Contract for the Saint Louis Offshore Profond between the Republic of Senegal and Petro-Tim Limited and Societe des Petroles du Senegal dated January 17, 2012 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, and incorporated herein by reference).
10.29	Deed of Transfer between La Societe Des Petroles Du Senegal (Petrosen), Timis Corporation Limited and Kosmos Energy Senegal concerning the Hydrocarbons Exploration and Production Sharing Contracts and Joint Operating Agreements covering the Cayar Offshore and Saint Louis Offshore Permits dated August 25, 2014 (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, and incorporated herein by reference).
10.30	Sale and Purchase Agreement relating to the sale and purchase of shares in Kosmos BP Senegal Limited (formerly Normandy Ventures Limited) between BP Indonesia Oil Terminal Investment Limited and Kosmos Energy Senegal dated December 15, 2016 (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K of the year ended December 31, 2016, and incorporated herein by reference).
	Suriname
10.31	Production Sharing Contract for Petroleum Exploration, Development and Production relating to Block 42 Offshore Suriname between Staatsolie Maatshappij Suriname N.V. and Kosmos Energy Suriname dated December 13, 2011 (filed as Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference).
10.32	Production Sharing Contract for Petroleum Exploration, Development and Production relating to Block 45 Offshore Suriname between Staatsolie Maatshappij Suriname N.V. and Kosmos Energy Suriname dated December 13, 2011 (filed as Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference).
10.33	Deed of Assignment and Transfer relating to Blocks 42 and 45 Offshore Suriname between Kosmos Energy Suriname and Chevron Suriname Exploration Limited dated May 31, 2012 (filed as Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference).
	Mauritania
10.34	Exploration and Production Contract between The Islamic Republic of Mauritania and Kosmos Energy Mauritania (Block C8) dated April 5, 2012 (filed as Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference).
10.35	Exploration and Production Contract between The Islamic Republic of Mauritania and Kosmos Energy Mauritania (Bloc C12) dated April 5, 2012 (filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference).
10.36	Exploration and Production Contract between The Islamic Republic of Mauritania and Kosmos Energy Mauritania (Bloc C13) dated April 5, 2012 (filed as Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference).
10.37	Deed of Novation and Assignment and Transfer dated March 25, 2015 between Kosmos Energy Mauritania, Chevron Mauritania Exploration Limited and SMHPM in relation to Block C8 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 25, 2015, and incorporated herein by reference).
10.38	Deed of Novation and Assignment and Transfer dated March 25, 2015 between Kosmos Energy Mauritania, Chevron Mauritania Exploration Limited and SMHPM in relation to Block C12 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 25, 2015, and incorporated herein by reference).
10.39	Deed of Novation and Assignment and Transfer dated March 25, 2015 between Kosmos Energy Mauritania, Chevron Mauritania Exploration Limited and SMHPM in relation to Block C13 (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated March 25, 2015, and incorporated herein by reference).
10.40	Exploration and Production Contract between The Islamic Republic of Mauritania and Kosmos Energy Mauritania (Bloc C6) dated October 11, 2016 (filed as Exhibit 10.41 to the Company's Annual Report on Form 10-K of the year ended December 31, 2016, and incorporated herein by reference).
10.41	Farmout Agreement Relating to Blocks C6, C8, C12 and C13 Offshore Mauritania between BP Exploration (West Africa) Limited and Kosmos Energy Mauritania dated December 15, 2016 (filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K of the year ended December 31, 2016, and incorporated herein by reference).
10.42*	Exploration and Production Contract between The Islamic Republic of Mauritania and Tullow Mauritania Limited (Bloc C18) dated May 17, 2012.

Exhibit Number	Description of Document
	Equatorial Guinea
10.43*	Share Sale and Purchase Agreement relating to the sale and purchase of shares in Hess International Petroleum, Inc. between Hess Equatorial Guinea Investments Limited, Hess Corporation, Kosmos Energy Equatorial Guinea, Kosmos Energy Operating and Trident Energy E.G. Operations, Ltd. dated October 23, 2017.
	Cote d'Ivoire
10.44*	Hydrocarbons Production Sharing Agreement between The Republic of Cote d'Ivoire, BP Exploration Operating Company Limited and Kosmos Energy Cote d'Ivoire (Block CI-526) dated December 21, 2017.
10.45*	Hydrocarbons Production Sharing Agreement between The Republic of Cote d'Ivoire, BP Exploration Operating Company Limited and Kosmos Energy Cote d'Ivoire (Block CI-602) dated December 21, 2017.
10.46*	Hydrocarbons Production Sharing Agreement between The Republic of Cote d'Ivoire, BP Exploration Operating Company Limited and Kosmos Energy Cote d'Ivoire (Block CI-603) dated December 21, 2017.
10.47*	Hydrocarbons Production Sharing Agreement between The Republic of Cote d'Ivoire, BP Exploration Operating Company Limited and Kosmos Energy Cote d'Ivoire (Block CI-707) dated December 21, 2017.
10.48*	Hydrocarbons Production Sharing Agreement between The Republic of Cote d'Ivoire, BP Exploration Operating Company Limited and Kosmos Energy Cote d'Ivoire (Block CI-708) dated December 21, 2017.
	Financing Agreements
10.49	Intercreditor Agreement, dated March 28, 2011 among BNP Paribas, Kosmos Finance International, Kosmos Operating, Kosmos International, Kosmos Development, Kosmos Ghana and the various financial institutions and others party thereto (filed as Exhibit 10.20 to the Company's Registration Statement on Form S-1/A filed April 25, 2011 (File No. 333-171700), and incorporated herein by reference).
10.50	Facility Agreement, dated February 17, 2012, among Kosmos Energy Finance International, Kosmos Energy Operating, Kosmos Energy International, Kosmos Energy Development, Kosmos Energy Ghana HC and International Finance Corporation (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, and incorporated herein by reference).
10.51	Deed of Transfer and Amendment, dated February 17, 2012, among Kosmos Energy Finance International, Kosmos Energy Operating, Kosmos Energy International, Kosmos Energy Development, Kosmos Energy Ghana HC, BNP Paribas, Citibank N.A., Credit Suisse International, Société Générale London Branch and International Finance Corporation (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, and incorporated herein by reference).
10.52	Charge on Cash Deposits and Account Bank Agreement, dated as of July 3, 2013, among Kosmos Energy Credit International and Societe Generale, London Branch, as Security Agent and Account Bank (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, and incorporated herein by reference).
10.53	Deed of Amendment and Restatement relating to the Revolving Credit Facility Agreement, dated March 14, 2014, among Kosmos Energy Ltd., as Original Borrower, certain of its subsidiaries listed therein, as Original Guarantors, Standard Chartered Bank, as Facility Agent, BNP Paribas, as Security and Intercreditor Agent, and the financial institutions listed therein, as Original Lenders (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, and incorporated herein by reference).
10.54	Amendment Letter, dated June 8, 2015, supplemental to and amending the Revolving Credit Facility Agreement, dated March 14, 2014, among Kosmos Energy Ltd., as Original Borrower, certain of its subsidiaries listed therein, as Original Guarantors, Standard Chartered Bank, as Facility Agent, BNP Paribas, as Security and Intercreditor Agent, and the financial institutions listed therein, as Original Lenders (filed as Exhibit 1.1 to the Company's Current Report on Form 8-K dated June 8, 2015, and incorporated herein by reference).
10.55	Deed of Amendment and Restatement relating to the Facility Agreement and a Charge over Shares in Kosmos Energy Operating, dated March 14, 2014, among Kosmos Energy Finance International, as Original Borrower, Kosmos Energy Operating, Kosmos Energy International, Kosmos Energy Development and Kosmos Energy Ghana HC, as Original Guarantors, Kosmos Energy Holdings, as Chargor, and BNP Paribas, as Facility Agent and Security Agent (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, and incorporated herein by reference).
10.56	Indenture, dated as of August 1, 2014, among the Company, Kosmos Energy Operating, Kosmos Energy International, Kosmos Energy Development, Kosmos Energy Ghana HC and Kosmos Energy Finance International, Wilmington Trust, National Association, as trustee, transfer agent, registrar and paying agent and Banque Internationale à Luxembourg S.A., as Luxembourg listing agent, transfer agent and paying agent (including the Form of Notes) (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed August 4, 2014 (File No. 001-35167), and incorporated herein by reference).

Exhibit Number	Description of Document
10.57	KEL Intercreditor and Security Sharing Agreement, dated as of August 1, 2014, among the Company, BNP Paribas, as security and intercreditor agent, Standard Chartered Bank, as RCF Agent and Wilmington Trust, National Association, as trustee, transfer agent, registrar and paying agent (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed August 4, 2014 (File No. 001-35167), and incorporated herein by reference).
	Agreements with Shareholders and Directors
10.58	Form of Director Indemnification Agreement (filed as Exhibit 10.27 to the Company's Registration Statement on Form S-1/A filed April 14, 2011 (File No. 333-171700), and incorporated herein by reference).
10.59	Shareholders Agreement, dated as of May 10, 2011, among Kosmos Energy Ltd. and the other parties signatory thereto (filed as Exhibit 9.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012, and incorporated herein by reference).
10.60	Registration Rights Agreement, dated as of October 7, 2009, among Kosmos Energy Holdings and the other parties signatory thereto (filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012, and incorporated herein by reference).
10.61	Joinder Agreement to the Registration Rights Agreement, dated as of May 10, 2011, among Kosmos Energy Ltd. and the other parties signatory thereto (filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012, and incorporated herein by reference).
10.62	Amendment No. 1 to the Registration Rights Agreement, dated as of February 8, 2013, among Kosmos Energy Ltd. and the other parties signatory thereto (filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012, and incorporated herein by reference).
	Management Contracts/Compensatory Plans or Arrangements
10.63†	Long Term Incentive Plan (filed as Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed May 16, 2011 (File No. 333-174234), and incorporated herein by reference).
10.64†	Long Term Incentive Plan (amended and restated as of January 23, 2015) (filed as Exhibit 99 to the Company's Registration Statement on Form S-8 filed October 2, 2015 (File No. 333-207259), and incorporated herein by reference).
10.65†	Long Term Incentive Plan (amended and restated as of January 23, 2017) (filed as Exhibit 10.64 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016, and incorporated herein by reference).
10.66†	Annual Incentive Plan (filed as Exhibit 10.22 to the Company's Registration Statement on Form S-1/A filed March 30, 2011 (File No. 333-171700), and incorporated herein by reference).
10.67†	Form of Restricted Stock Award Agreement (Service-Vesting) (filed as Exhibit 10.50 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, and incorporated herein by reference).
10.68†	Form of Restricted Stock Award Agreement (Performance-Vesting) (filed as Exhibit 10.51 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, and incorporated herein by reference).
10.69†	Form of RSU Award Agreement (Service-Vesting) (filed as Exhibit 10.52 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, and incorporated herein by reference).
10.70†	Form of RSU Award Agreement (Performance-Vesting) (filed as Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, and incorporated herein by reference).
10.71†	Form of Directors RSU Award Agreement (Service-Vesting) (filed as Exhibit 10.54 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, and incorporated herein by reference).
10.72†	Offer Letter, dated November 2, 2014, between Kosmos Energy, LLC and Michael Anderson (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, and incorporated herein by reference).
10.73†	Offer Letter, dated September 1, 2011, between Kosmos Energy, LLC and Jason Doughty (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, and incorporated herein by reference).
10.74†	Offer Letter, dated May 22, 2013, between Kosmos Energy, LLC and Christopher Ball (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, and incorporated herein by reference).
10.75†	Offer Letter, dated January 10, 2014, between Kosmos Energy, LLC and Andrew Inglis (filed as Exhibit 10.58 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference).
10.76†	Assignment Agreement, dated April 16, 2014, between Kosmos Energy, LLC and Brian F. Maxted (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, and incorporated herein by reference).

Exhibit Number	Description of Document
10.77†	Offer Letter, dated October 16, 2014, between Kosmos Energy, LLC and Thomas P. Chambers (filed as Exhibit 10.60 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, and incorporated herein by reference).
10.78†	Offer Letter, dated February 11, 2008, between Kosmos Energy, LLC and Eric Haas (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, and incorporated herein by reference).
10.79†	Kosmos Energy Ltd. Change in Control Severance Policy for U.S. Employees, dated December 19, 2013 (filed as Exhibit 10.66 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013, and incorporated herein by reference).
	Other Exhibits
14.1	Code of Business Conduct and Ethics (filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011, and incorporated herein by reference).
21.1*	List of Subsidiaries.
23.1*	Consent of Ernst & Young LLP.
23.2*	Consent of Ryder Scott Company, L.P.
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1*	Report of Ryder Scott Company, L.P.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement.

Exhibit 10.42

ISLAMIC REPUBLIC OF MAURITANIA

Honor - Fraternity – Justice

EXPLORATION-PRODUCTION CONTRACT BETWEEN

THE ISLAMIC REPUBLIC OF MAURITANIA

and

TULLOW MAURITANIA LIMITED

C18

2012

(ENGLISH TRANSLATION)

TABLE OF CONTENTS

CONTRACT

Between

The Islamic Republic of Mauritania (hereafter called "**the State**"), represented hereby by the Minister in charge of Petroleum, Energy and Mines

ON THE ONE HAND,

And

TULLOW MAURITANIA LIMITED a company incorporated under the laws of the Isle of Man (Registration No. 104570C) and having its registered office at Falcon Cliff, Palace Road, Douglas, Isle of Man, IM2 4LB represented hereby by Mr David Lawrie,

(hereinafter TULLOW MAURITANIA LIMITED is to be referred to as the "**Contractor**"),

ON THE OTHER HAND,

The State and the Contractor are hereafter collectively called "Parties" or individually "Party". THE FOLLOWING HAVING

ALREADY BEEN STATED:

The State, owner of the deposits and natural hydrocarbons deposits contained in the ground and the sub- soil of the national territory, wishes to promote the discovery and production of hydrocarbons to support the economic expansion of the country within the framework instituted by law n° 2010-033 dated 20 July 2010 pertaining to the Crude Hydrocarbons Code as amended by law n° 2011-044 dated 25 October 2011;

The Contractor wishes to explore and exploit, within the framework of this exploration-production contract and in accordance with the Crude Hydrocarbons Code, the hydrocarbons which may be contained in the perimeter described in Appendix 1 of this Contract, and has provided evidence that it has the technical skills and financial means necessary for this purpose.

IT WAS AGREED WHAT FOLLOWS:

ARTICLE 1: DEFINITIONS

The terms used in the present document have the following significance:

1.1 "**Calendar Year** " means a period of twelve (12) consecutive months beginning on the January first (1st) and ending on the following December thirty-first (31st).

1.2 "**Contract Year**" means a period of twelve (12) consecutive months starting as at the Effective Date or the anniversary of the aforesaid Effective Date.

1.3 "**Appendices**" mean the appendices of the present Contract consisting of:

1.3.1 Appendix 1 for the Exploration Perimeter

1.3.2 Appendix 2 for the Accounting Procedure

1.3.3 Appendix 3 for the model bank guarantee

1.4 "**Exploration Authorization**" means the authorization referred to under Article 3 of this Contract by which the State authorizes the Contractor to carry out, on an exclusive basis, all the hydrocarbon exploration and/or research work within the Exploration Perimeter.

1.5 "**Exploitation Authorization**" means the authorization granted to the Contractor to carry out, on an exclusive basis, all the development and exploitation of the Hydrocarbon deposits within the Exploitation Perimeter.

1.6 "**Barrel**" means "U.S. barrel", the equivalent of 42 American gallons (159 liters) measured at a temperature of 60°F (15.6 °C) and at atmospheric pressure.

1.7 "**BTU**" means the British energy unit, "British Thermal Unit" such that a million BTU (MMBTU) is equal to about 1055 joules.

1.8 "**Annual Budget**" means the detailed estimate of the cost of Petroleum Operations defined in an Annual Work Program.

1.9 "**Crude Hydrocarbons Code**" refers to law n° 2010-033 dated 20th July 2010 pertaining to the Code Crude Hydrocarbons, its amendments and its implementation provisions.

1.10 "**Environment Code**" refers to law n° 2000-045 dated 26th July 2000 pertaining to the Environmental Code, its amendments and the laws implementing it.

1.11 "**Contractor**" means collectively or individually the signatory company/companies of this Contract as well as any entity or company to which an interest would be transferred pursuant to articles 21 and 22 of this Contract.

1.12 "**Contract**" means this agreement, its appendices and its amendments. In the event of contradiction between the provisions of this agreement and the provision of its appendices, the provisions of this agreement shall prevail.

1.13 "**Petroleum Costs**" means all the costs and expenses incurred by the Contractor for Petroleum Operations provided for under this Contract and determined according to the Accounting Procedure, set out in Appendix 2 of this Contract.

1.14 "**Effective Date**" means the commencement date of this Contract as defined in article 30.

1.15 "**Dollar''** means the dollar ($) of the United States of America.

1.16 "**State**" means the Islamic Republic of Mauritania.

1.17 "**Gross Negligence**" means carelessness or negligence of such gravity as to assume there was malicious intent on the part of the author.

1.18 "**Wet Gas**" means Natural Gas containing a fraction of elements becoming liquid at room pressure and temperature, and which justifies the installation of a recovery facility of such liquids.

1.19 "**Natural Gas**" means all gas hydrocarbons produced from a well including Wet Gas and Dry Gas which can be associated or not associated with liquid hydrocarbons, and waste gas which is obtained after extraction of natural gas liquids.

1.20 "**Associated Natural Gas**" means Natural Gas existing in a reservoir in solution with Crude Oil or in the form of "Gas Cap" in contact with Crude Oil, and which is produced or can be produced in association with Crude Oil.

1.21 "**Non-associated Natural Gas**" means Natural Gas other than Associated Natural Gas.

1.22 "**Dry Gas**" means Natural Gas containing mainly methane, ethane and inert gases.

1.23 "**Hydrocarbons**" means liquid and gas hydrocarbons or solid hydrocarbons such as bituminous sands and shales.

1.24 "**LIBOR**" means the annual interbank interest rate applicable for the Dollar as published by the Financial Times or the Wall Street Journal or any other publication of similar standing.

1.25 "**Ministry**" means the ministry for Crude Hydrocarbons.

1.26 "**Minister**" means the Minister in charge for Crude Hydrocarbons.

1.27 "**Operator**" means the company referred to in article 6.2 below responsible for the conduct and performance of Petroleum Operations, or any company which would be substituted to it later on, in accordance with the governing terms and conditions.

1.28 "**Petroleum Operations**" means all the research, exploitation, storage, transportation and marketing of hydrocarbons, including the evaluations/assessment, development, production, separation, processing operations up to the Point of Delivery, as well as the rehabilitation of the sites and, more generally, all other operations which are directly or indirectly related to the preceding ones and which carried out by the Contractor as part of this Contract, aside from the refining and distribution of petroleum products.

1.29 "**Ouguiya**" means the currency of the Islamic Republic of Mauritania.

1.30 "**Exploitation Perimeter**" means all or part of the Exploration Perimeter on which the State, in accordance with the terms of this Contract, grants to the Contractor an Exploitation Authorization in accordance with the provisions of article 9 below.

1.31 "**Exploration Perimeter**" means the surface defined in Appendix 1, reduced, if applicable, by the relinquished surface as provided for under article 3 and/or reduced by Exploitation Perimeters, on which the State, under the terms of this Contract, grants to the Contractor an Exploration Authorization in accordance with the provisions of article 2.1 below.

1.32 "**Crude Oil**" means all hydrocarbons which are liquid at a natural state or obtained from natural gas by condensation or separation from asphalt.

1.33 "**Delivery Point**" means:

1.33.1 For Crude Oil, the F.O.B point of loading of Crude Oil to the export terminal or any other point fixed by mutual agreement of the Parties;

1.33.2 For Natural Gas, the point of delivery fixed by mutual agreement of the Parties in accordance with article 15 of this Contract.

1.34 "**Rehabilitation Plan**" designates the program of works for the rehabilitation of the sites to be carried out by the Contractor at the expiration, renunciation or cancellation of an Exploitation Authorization in accordance with article 23.2.

1.35 "**Annual Work Program**" means the document setting out each element, of the Petroleum Operations to be carried out during a Calendar Year in accordance with the terms of this Contract and which is prepared in accordance with the provisions of articles 4 and 5 below.

1.36 "**Affiliated Company**" means

1.36.1 any company or any other entity which controls or is controlled, directly or indirectly, by a company or entity, or

1.36.2 any company or any other entity which controls or is controlled, directly or indirectly, by a company or an entity which controls directly or indirectly any company or entity party to this Contract.

For purposes of this definition, the term "control" means the direct or indirect ownership by a company or any other entity of a percentage of company or partnership shares representing over fifty percent (50%) of the voting power at the general assembly of another company or entity.

1.37 "**Third Party**" means any natural or legal person, other than the State, the Contractor and the Affiliated Companies of the Contractor.

1.38 "**Quarter**" means a period of three (3) consecutive months beginning on the first day of January, April, July or October of each Calendar Year.

ARTICLE 2: SCOPE OF THE CONTRACT

In accordance with the Crude Hydrocarbons Code, the State hereby authorizes the Contractor to carry out on a purely exclusive basis in the Exploration Perimeter the Petroleum Operations which are useful and necessary in accordance with the terms of this Contract defined in Appendix 1.

2.1 This Contract is entered into for the duration of the Exploration Authorization as provided for under article 3 of this Contract, including any of its renewal and possible extension periods and, in the event of commercial discovery, for the duration of the Exploitation Authorizations which would have been granted, as defined in article 9.11 below.

2.2 This Contract will end if, at the expiration of all the phases of the exploration provided for under article 3, the Contractor does not notify the State of its decision to develop a commercial Hydrocarbon reservoir and has not requested an Exploitation Authorization for this field in accordance with the provisions of article 9.5 below.

In the event of a grant of several Exploitation Authorizations and save in the case of an early termination, this Contract shall end at the expiration of the last unexpired Exploitation Authorization in force.

2.3 The expiration, revocation or termination of this Contract for whatever reason does not release the Contractor from its obligations under this Contract, arising before or at the time of the aforementioned expiration, renunciation or cancellation, which shall have to be carried out by the Contractor.

2.4 The Contractor will be responsible for carrying out the Petroleum Operations provided for under this Contract. It undertakes to carry them out in compliance with good international petroleum industry practice and to comply with the norms and standards developed by the Mauritanian regulation for industrial safety, environmental protection and operational techniques.

2.5 The Contractor shall provide all financial and technical means necessary for the smooth running of the Petroleum Operations and shall fully support all the risks related to the performance of the aforesaid Operations, subject to the provision of article 21 of this Contract. The Petroleum Costs borne by the Contractor shall be recoverable by the Contractor in accordance with the provisions of article 10 below.

2.6 During the validity period of the Contract, the production resulting from the Petroleum Operations shall be shared between the State and the Contractor in accordance with the provisions of article 10 below.

ARTICLE 3: EXPLORATION AUTHORIZATION

3.1 The Exploration Authorization inside the Exploration Perimeter defined in Appendix 1 is granted to the Contractor in accordance with the provisions of article 2.1 above for an initial phase of five (5) Contract Years.

3.2 The Contractor shall be entitled to two (2) renewals of the Exploration Authorization for a period of two (2) Contract Years for the first renewal and three (3) Contract Years for the second renewal, if it has fulfilled, as part of the preceding exploration phase, all the work obligations stipulated in article 4 below and has provided the bank guarantee for the renewal period in accordance with article 4.6 below.

3.3 If at the expiration of the phases of the exploration period defined in article 3.2 above, works are in fact being carried out, the Contractor shall be entitled, if it reasonably requests one, to an exceptional extension of that phase for a period not exceeding twelve (12) months.

3.4 If the Contractor discovers one or more Hydrocarbon reservoirs for which it cannot present a declaration of commerciality before the end of the third phase of the period of exploration in accordance with article 9.5 below, due to the distance of the reservoir from the possible points of delivery on the Mauritanian territory and the lack of pipeline transport infrastructures, or the lack of market for the production of Natural Gas, it can request an extension of the Exploration Authorization for a maximum duration of three (3) years for petroleum reservoirs and five (5) years for Natural Gas reservoirs, the Exploration Perimeter thus being reduced to the supposed limits of the reservoirs in question.

3.5 In the event an extension is granted, the Contractor shall submit to the Minister within sixty (60) days of the end of each Calendar Year of the extension period a report showing the commercial character, if any, of the reservoirs concerned, and, in the event of Natural Gas deposit, the results of the works and studies undertaken in accordance with article 15 below.

3.6 For each renewal or extension, the Contractor shall have to make a request to the Minister no later than two (2) months before the expiration of the ongoing exploration phase. The renewals shall be noted by Ministerial order whereas extensions shall be granted by a decree of the Council of Ministers: such acts shall take effect on the day following the expiration of the previous period.

3.7 The Contractor undertakes to return to the State at least twenty-five percent (25%) of the initial surface of the Exploration Perimeter at the time of each its renewal, in order to keep only seventy-five percent (75%) of the initial surface of the Exploration Perimeter during the second phase of the exploration period, and only fifty percent (50%) of the initial surface of the Exploration Perimeter during the third phase of the exploration period.

3.8 For the purposes of article 3.7 above:

3.8.1 Surfaces having previously been the subject of a voluntary return, in accordance with article 3.9, the surfaces already covered by Exploitation Authorizations shall be deducted from the surfaces to be returned;

3.8.2 The Contractor shall have the right to fix the scope, form and site of the portion of the Exploration Perimeter which it intends to keep. However, the returned portion shall have to be made up of a perimeter of simple geometrical form, delimited by North-South and East-West lines or by natural boundaries or borders, in accordance with Land Registry requirements. The surface area is based upon the cadastral apportionment from one of the initial or residual Exploration Perimeter limits and is calculated contiguously.

3.8.3 The request for renewal shall be accompanied by a plan indicating the Exploration Perimeter which is kept as well as report specifying the work carried out on the returned surfaces and the results obtained since the Effective Date.

3.9 The Contractor may at any time, subject to three (3) months' notice, notify to the Minister that it waives all or part of the Exploration Perimeter. In the event of a complete waiver, the Exploration Authorization shall be deemed terminated at the date of the aforesaid notification.

In the event of a partial surrender, the provisions of article 3.8 above shall apply.

In any event, no voluntary renunciation during an exploration period phase shall reduce the exploration work obligations stipulated in article 4 below for the aforementioned period nor shall it put an end to the corresponding guarantee.

3.10 Except in the event of an extension in accordance with articles 3.3 and 3.4 above, at the expiration of the third exploration period phase, the Contractor shall have to return the remaining surface of the Exploration Perimeter, save for the surfaces already covered by the Exploitation Perimeters.

ARTICLE 4: EXPLORATION WORK OBLIGATION

4.1 During the first phase of the exploration period of five (5) Contract Years defined in article 3.1 above, the Contractor undertakes to carry out the following works:

- The acquisition of one thousand two hundred (1200) km of 2D seismic;
- The acquisition of six hundred (600) km^2 of 3D seismic.

The aforementioned works shall commence within the twelve (12) months following the Effective Date.

4.2 During the second phase of the exploration period of two (2) Contract Years defined in article 3.2 above, the Contractor undertakes to carry out the following works:

- Exploration well drilling: one (1) well to a minimum depth of 2000 meters (below sea level).

The aforementioned works shall commence within six (6) months of the beginning of the phase in question.

4.3 During the third phase of the exploration period of three (3) Contract Years defined in article 3.2, the Contractor undertakes to complete the following works:

- Exploration well drilling: one (1) well to a minimum depth of 2000 meters (below sea level).

The aforementioned works shall commence within three (3) months of the beginning of the phase in question.

4.4 Each exploration well drilling referred to above shall be carried out up to the minimal depth provided for above, or up to a lesser depth if the Minister authorizes it or if continuation of the drilling, carried out in accordance with good international practice in the petroleum industry, is excluded for any of the following reasons:

4.4.1 The basement is reached at a depth inferior to the minimal depth referred to above;

4.4.2 The continuation of the drilling presents an evident danger because of the existence of a pressure of an abnormal layer;

4.4.3 Rock formations are reached whose hardness does not allow, in practice, for the progress of the drilling carried out with the appropriate equipment facilities;

4.4.4 Oil-bearing formations are reached whose drilling through requires for their protection the installation of casings making it impossible to reach the minimal depth referred to above.

In each of the above-mentioned cases, the Contractor shall inform the Minister and shall be authorized to suspend drilling, and the aforementioned drilling shall be deemed carried out at the minimal depth referred to above.

4.5 If the Contractor, during either the first phase of the exploration period, or the second phase of the exploration period, respectively defined in articles 3.1 and 3.2 above, carries out a number of exploration drillings whose volume is higher than the minimal work obligations stipulated respectively in articles 4.1 and 4.2 above for the aforementioned phase, the surplus exploration drilling requirements can be carried over to the next phase(s) of the exploration shall be deducted from the minimal work obligations stipulated with regard to the aforementioned phases.

For purposes of articles 4.1 to 4.5 above, the drilling carried out as part of the evaluation program of a discovery shall not be considered exploration drillings and, in the event of discovery of Hydrocarbons, only one well per discovery shall be deemed an exploration drilling.

4.6 In the thirty (30) days following the Effective Date, the Contractor shall submit to the Minister a bank guarantee from a first ranking international bank, in accordance with Appendix 3 amounting to four million eight hundred thousand Dollars ($4,800,000) for the 2D seismic and three million Dollars ($3,000,000) for the 3D seismic referred to in article 4.1, for its minimal work obligations for the first phase of the exploration period defined in article 4.1 above.

In the event of renewal of the Exploration Authorization, the Contractor shall also have to present to the Minister, within thirty (30) days following receipt of the Ministerial order noting the renewal, a bank guarantee from a first ranking international bank, in accordance with Appendix 3 amounting to

- ten million Dollars ($10,000,000) per exploration drilling referred to in article 4.2 in respect of a renewal pursuant to Article 3.2 for a second phase of the exploration period covering its minimum work obligations for the phase concerned; and
- ten million Dollars ($10,000,000) per exploration drilling referred to in article 4.3 in respect of a renewal pursuant to Article 3.2 for a third phase of the exploration period covering its minimum work obligations for the phase concerned.

If at the end of any phase of the exploration period or in the event of total waiver or termination of the Contract, the exploration works did not meet the minimum obligations under article 4, the Minister shall have the right to call in the guarantee for an amount equal to the amount of the guarantee after deduction of the estimated cost of minimum work possibly carried out.

This cost shall be on a lump sum basis using the following unit costs:

(a) four thousand Dollars ($4,000) per kilometre of 2D seismic

(b) five thousand Dollars ($5,000) per kilometre square of 3D seismic.

(c) ten million Dollars ($10,000,000) per exploration drilling.

Once the payment is made, the Contractor shall be deemed to have fulfilled its minimum exploration obligations in accordance with article 4 of this Contract; the Contractor shall be able, save in the event of a revocation of the Exploration Authorization due to a serious breach of this Contract, to continue to benefit from the provisions of the said Contract and, in the event of an admissible request, to obtain the renewal of the Exploration Authorization.

ARTICLE 5: PREPARATION AND APPROVAL OF ANNUAL WORK PROGRAMS

5.1 No later than two (2) months after the Effective Date, the Contractor shall prepare and submit to the Ministry for approval a detailed Annual Work Program setting out each element of the works as well as the corresponding Annual Budget for the whole Exploration Perimeter by specifying the Petroleum Operations relating to the period from the Effective Date to the following 31st December.

Then, no later than three (3) months before the beginning of each Calendar Year, the Contractor shall prepare and submit to the Ministry for approval a detailed Annual Work Program setting out each element of the works as well as the corresponding Annual Budget for the whole Exploration Perimeter then, if necessary, for the Exploitation Perimeter(s) by specifying the Petroleum Operations which he offers to carry out during the following Calendar Year.

Each Annual Work Program and the corresponding Annual Budget shall be subdivided between the different exploration activities, and if necessary, including the evaluation activities for each discovery, as well as the development and production activities for each commercial reservoir.

5.2 If the Ministry deems that revisions or modifications of the Annual Work Program and the corresponding Annual Budget are necessary and useful, it must notify the Contractor in writing with all the justifications deemed useful within sixty (60) days following their receipt. In this case, the Ministry and the Contractor shall meet as soon as possible to study the requested revisions or modifications and to establish by mutual agreement the Annual Work Program and the corresponding Annual Budget in their final form, in accordance with good international petroleum industry practice. The date of adoption of the Annual Work Program and the corresponding Annual Budget shall be the date of the mutual agreement referred to above.

In the absence of notification by the Ministry to the Contractor of its desire to make amendments or modifications within sixty (60) days referred to above, the aforementioned Annual Work Program and the corresponding Annual Budget shall be deemed accepted by the Ministry at the date of expiration of the said deadline.

In any case, each Annual Work Program operation for which the Ministry shall not have requested an amendment or modification shall have to be performed by the Contractor within the set deadlines.

5.3 The Parties agree that the results achieved during the course of the work or that particular circumstances may justify changes to the Annual Work Program and to the corresponding Annual Budget. In this case, following notification to the Ministry, the Contractor shall be able to carry out such changes provided that the fundamental objectives of the said Annual Work Program are not modified.

ARTICLE 6: CONTRACTOR OBLIGATIONS RELATING TO THE CONDUCT OF THE PETROLEUM OPERATIONS

6.1 Without prejudice to the provisions of article 21.1 below, the Contractor shall have to provide all necessary funds and shall purchase or rent all the materials, equipment and material which are necessary for the performance of the Petroleum Operations. The Contractor is responsible for the preparation and execution of the Annual Work Programs which shall have to be performed in the most appropriate manner in compliance with good international petroleum industry practice.

6.2 At the Effective Date of this Contract, Tullow Mauritania Limited is designated as Operator and shall be responsible for the control and execution of the Petroleum Operations. The Operator, for and on behalf of the Contractor, shall provide the Minister with all the reports, information and data referred to in this Contract. Any change of Operator considered by the entities of the

Contractor must have the prior approval of the Minister, which shall not be unreasonably withheld.

6.3 The Operator must maintain for the duration of the Contract in Mauritania; a branch which shall have a person in charge and duly authorized to conduct the Petroleum Operations and to whom any notification could be presented under this Contract.

6.4 The Contractor shall have to take all the necessary measures for the protection of the environment during the Petroleum Operations.

It shall in particular, for any Petroleum Operation requiring prior approval in accordance with the Environmental Code, to submit to the Minister, as applicable, environmental impact assessments or notes required for this type of operation, implement measures and to comply with the restrictions provided for under the environmental management plan, to provide the declarations and to comply with the audits under the Environmental Code.

Additionally, the Contractor shall take all reasonable steps based on good international petroleum industry practice to:

6.4.1 make sure that all the installations and equipment used for the Petroleum Operations needs are at any time in good state in conformity with the applicable standards, including those resulting from international conventions ratified by the Islamic Republic of Mauritania and relating to the prevention of pollution;

6.4.2 avoid loss and discharges of:

(A) Hydrocarbons including Natural Gas flaring, (save as provided in Article 40 of Crude Hydrocarbons Code, under penalty of a fine of which the amount shall be further determined by decree taken by the Council of Ministers, and shall not exceed, under any circumstances, twenty (20) percent of the current market price of Natural Gas in Mauritania);

(B) muds; or

(C) any other products used in the Petroleum Operations,

and deal with it in accordance with the environmental management plan referred to above.

The aforementioned fine shall not be considered either recoverable Petroleum Costs or a deductible expense;

6.4.3 NOT APPLICABLE;

6.4.4 store Hydrocarbons products in installations and receptacles built for this purpose;

6.4.5 dismantle, without prejudice to the provisions of article 23.2 below, the installations which shall no longer be necessary to the Petroleum Operations and clean up the sites; and

6.4.6 generally prevent pollution of the ground and sub-soil, water and atmosphere, as well as degradations of the fauna and flora.

6.5 During the Petroleum Operations, the Contractor shall have to take all the necessary measures to protect the health and safety of people in accordance with good international petroleum industry practice and the existing regulation in Mauritania, and in particular to set up:

6.5.1 suitable means of prevention, quick response and management of risks including risks of blow-out;

6.5.2 measures for information, training and means adapted to the risks incurred, including personal protective equipment, equipment to control fire as well as means for first aid and prompt evacuation of victims.

6.6 All the works and installations set up by the Contractor under the terms of this Contract shall, according to their nature and the circumstances, be built, specified, set out and equipped so as to allow free and safe passage at all times within the Exploration Perimeter and the Exploitation Perimeter(s).

6.7 In the exercise of its right to build, carry out work and maintain all the installations necessary for the purposes of this Contract, the Contractor shall not occupy land located within five-hundred (500) meters of any structure whether religious, cultural or not, places of burial, walled enclosures, yards and gardens, dwellings, groups of dwellings, villages, agglomerations, wells, water points, tanks, streets, roads, railroads, water pipelines, piping systems, works of public utility, works of art, without the prior agreement of the Minister. The Contractor shall be liable for any damage that its work shall have caused.

6.8 The Contractor undertakes to grant his preference to Mauritanian companies and products, based on equivalent conditions in terms of price, quantity, quality, terms of payment and delivery lead time, and to require a similar commitment from its subcontractors.

All procurement, construction or service contracts amounting to a value higher than one million (1,000,000) Dollars for exploration/assessment works and one million five hundred thousand (1,500,000) Dollars for development/exploitation works, will be subject to invitations to tender for Mauritanians and foreign bidders, save if otherwise agreed with the Minister.

Copies of such contracts entered into during each Quarter shall be submitted to the Minister within thirty (30) days of the end of the Quarter concerned.

6.9 The Contractor undertakes to grant his preference, based on equivalent economic conditions, to the purchase of the goods necessary for Petroleum Operations, according to their lease or any other form of lease, and to require a similar commitment from its subcontractors.

For this purpose, each Annual Budget referred to under article 5 shall specify all the draft lease contracts which exceed an annual value of four hundred thousand (400,000) Dollars.

ARTICLE 7: CONTRACTOR RIGHTS RELATING TO THE CONDUCT OF PETROLEUM OPERATIONS

7.1 The Contractor has the exclusive right to carry out the Petroleum Operations inside the Exploration Perimeter and any Exploitation Perimeter derived from it, provided such operations are in conformity with the terms and conditions of this Contract, the Crude Hydrocarbons Code as well as the provisions of the existing laws and regulations in Mauritania, and that they are carried out according to good practice in the international petroleum industry.

7.2 For purposes of the execution of the Petroleum Operations, the Contractor shall bear the rights under article 54 of the Crude Hydrocarbons Code.

7.3 The expenses, allowances, and in general all charges arising from the use of property referred to in articles 55 to 57 of the Crude Hydrocarbons Code shall be borne by the Contractor and shall be recoverable as Petroleum Costs in accordance with the provisions of article 10.2 below.

7.4 The expiration of an Exploration Authorisation or an Exploitation Authorisation or the mandatory or voluntary, partial or total return of an Exploration Perimeter or an Exploitation Perimeter shall have no effect on the rights arising under article 7.2 above for the Contractor, with respect to the works and installations carried out pursuant to the provisions of this article 7 provided the aforementioned works and installations continue to be used as part of the

Contractor's activities on the area retained or other exploration or exploitation perimeters in Mauritania.

7.5 Subject to the provisions of articles 6.8 and 6.9 above, the Contractor has the freedom of choice of the suppliers and subcontractors and shall benefit from the customs procedure under article 18 of this Contract.

7.6 Unless otherwise provided, no restriction shall be made with regard to the entry, residence and freedom of circulation, employment, and repatriation of persons and their families as well as their property, concerning the employees of the Contractor and those of its subcontractors subject to compliance with the labor legislation and regulations as well as the existing social laws in force.

The Ministry shall facilitate the grant to the Contractor as well as its agents, subcontractors and their families, of any administrative authorizations that may be necessary in relation to the Petroleum Operations carried out as part of the present Contract, including the entry and exit visas.

ARTICLE 8: CONTROL OVER PETROLEUM OPERATIONS AND ACTIVITY REPORTS - CONFIDENTIALITY

8.1 The Petroleum Operations shall be subject to monitoring by the Ministry in accordance with the provisions of Title VIII of the Crude Hydrocarbons Code. The duly appointed representatives of the Ministry shall have the right to monitor the Petroleum Operations, to inspect the installations, equipment, and materials and to audit procedures, norms, recordings and books related to the Petroleum Operations.

For the purposes of allowing the exercise of the aforementioned rights, the Contractor shall provide the Ministry and other agents of the State in charge of supervising the Petroleum Operations with reasonable assistance regarding transportation and accommodation. The transportation and accommodation expenditures which are directly linked to the monitoring and inspection shall be borne by the Contractor. The said expenditures shall be considered as Petroleum Costs recoverable under the provisions of article 10.2 of this Contract and as allowable expenses when determining the business profits tax industrial and commercial.

8.2 The Contractor shall regularly inform the Ministry of the progress of the Petroleum Operations. It shall in particular submit to the Ministry the following programs and opinions:

8.2.1 A work program for any geological or geophysical survey at least thirty (30) days before the beginning of the survey in question and specify its precise location, objectives, techniques and equipment used, the name and address of the company which shall carry out the work, the commencement date and the projected duration, the number of kilometers of seismic lines, the estimated costs, and the safety arrangements if the use of explosives is proposed.

8.2.2 A work program for any drilling at least thirty (30) days before the beginning of the drilling in question and specify its precise location, a detailed description of the work proposed, including the drilling techniques and the associated operations, its depth, its geological objective, the commencement date and the projected duration, the estimated costs of the program, a summary of the geological and geophysical data having justified the decision of the Contractor, the name and address of the drilling company as well as the designation of the drilling platform, the name and address of all other subcontractors recruited for this operation, and the security measures considered.

8.2.3 Thirty (30) days' notice concerning the abandonment of a producing well and seventy- two (72) hours for a non-producing well.

8.2.4 Seventy-two (72) hours notice concerning any suspension of drilling or any resumption of drilling suspended for more than thirty (30) days.

Any accident occurring in the course of the Petroleum Operations shall be notified to the Minister immediately or within twenty-four (24) hours at the latest.

8.3 The Minister may require that the Contractor finance and perform of all the works necessary to ensure the safety and hygiene in the context of the Petroleum Operations in accordance with article 6.5 above.

8.4 The Minister shall have access to all the original data resulting from the Petroleum Operations undertaken by the Contractor inside the Exploration Perimeter and Exploitation Perimeter(s) such as reports on geological, geophysics, petro-physics, drilling, and preliminary exploitation reports as well as any reports generally required to conduct such Petroleum Operations.

8.5 The Contractor undertakes to submit to the Ministry the following periodic reports:

8.5.1 Daily reports on drilling activities;

8.5.2 Weekly reports on geophysics works;

8.5.3 A detailed report on development activities starting from the granting of an Exploitation Authorization, within fifteen (15) days after the end of each Quarter;

8.5.4 Effective from the commencement of the production, and within fifteen (15) days after the end of each month, an exploitation report specifying each quantity of Hydrocarbons produced, used in the Petroleum Operations, stored, lost or burned, and sold, during the previous month as well as an estimate of each quantity in question for the current month. Concerning Hydrocarbons which are sold, the report shall specify the identity of the purchaser, the quantity sold and the price obtained for each sale.

8.5.5 Within fifteen (15) days after the end of each Quarter, a report relating to the Petroleum Operations carried out during the previous Quarter including, in particular, a description of the Petroleum Operations carried out and a detailed statement of the Petroleum Costs incurred, such costs being broken down by Exploration/Exploitation Perimeter and by nature;

8.5.6 Within three (3) months after the end of each Calendar Year, a report relating to the Petroleum Operations carried out during the previous Calendar Year, as well as a detailed statement of the Petroleum Costs incurred, such costs being broken down by Exploration/Exploitation Perimeter and by nature and a figures of the staff employed by the Contractor, indicating the number of employees, their nationality, their position, the total amount of the wages, the rate of mauritanisation employment as well as a report on medical care and instruction given to them.

8.5.7 Any other report generally required as part of the Petroleum Operations.

8.6 In addition, the following reports, data and documents shall be presented to the Ministry within a month of their preparation or their acquisition:

8.6.1 Two (2) copies of the geological reports created as part of the exploration;

8.6.2 Two (2) copies of the geophysics reports created as part of the exploration. The Ministry shall have access to the originals of all the records made (magnetic tapes or other support) and can obtain copies, upon request;

8.6.3 Two (2) copies of the reports for the implementation and establishment and end of drilling for each well drilled;

8.6.4 Two (2) copies of all measurements, tests, trials and surveys recorded during the drilling (end of drilling reports);

8.6.5 Two (2) copies of each analysis report (petrography, biostratigraphy, geochemistry or other) carried out on cores, cuttings or fluids collected from each well drilled including the negatives of the various related photographs;

8.6.6 A representative sample of cores taken, of drill cuttings taken from each well as well as samples of fluids produced during the tests or production tests shall also be submitted within a reasonable time;

8.6.7 Moreover, the Contractor shall be able to freely export samples of cores and cuttings taken and fluids produced;

8.6.8 And in general, two (2) copies of all other reports generally required to carry out the Petroleum Operations.

The reports, studies and other results referred to in the present article 8.6, as well as those referred to in article 8.5 above, shall be provided on adequate supports, in digital and paper format.

8.7 The Parties undertake to treat as confidential and not to communicate to a Third Party or to be published, save with the prior approval of the Minister, any data and information of technical nature related to the Petroleum Operations and which are not yet in the public domain, throughout the duration of the Contract.

In the event of the surrender of an area or a waiver of its rights over an area, the Contractor shall treat as confidential and agrees not disclose to Third Parties or publish, without the prior approval of the Minister, any data and information relating to the perimeter in question and which is not yet in the public domain.

After the surrender, termination or expiry of the Contract, the Contractor shall treat as confidential and shall not disclose to Third Parties nor shall publish, without prior approval of the Minister, any data and information related to the Petroleum Operations which is not already available in the public domain.

8.8 Notwithstanding the provisions of article 8.7, the State shall be authorized to communicate data and information:

8.8.1 To all service providers and professional consultants involved in the performance of the Petroleum Operations, after obtaining a similar commitment of confidentiality;

8.8.2 To any bank or financial institution from which an entity of the State requests or obtains funding, after obtaining a similar commitment of confidentiality;

8.8.3 As part of any contentious procedure of legal, administrative or arbitral nature.

8.9 Notwithstanding the provisions of article 8.7, the Contractor shall be authorized to communicate the data and information:

8.9.1 to any Affiliated Company bound by a similar commitment of confidentiality;

8.9.2 to all service providers and professional consultants involved in the performance of the Petroleum Operations, after obtaining a similar commitment of confidentiality;

8.9.3 to any company interested in good faith in taking a possible assignment, after obtaining from such company, a commitment to keep confidential this information and data and to use them only for the purposes of the aforesaid assignment;

8.9.4 to any bank, institution or financial entity from which an entity of the Contractor requests or obtains funding, after obtaining a similar commitment of confidentiality;

8.9.5 when and to the extent that the regulations of a recognized stock exchange requires it;

8.9.6 as part of any contentious procedure of legal, administrative or arbitral nature.

8.10 The Contractor shall report to the Minister as soon as possible about all information relating to mineral substances found during the performance of the Petroleum Operations.

8.11 The Contractor shall take part in the implementation of the Extractive Industry Transparency Initiative (EITI) in accordance with article 98 of the Crude Hydrocarbons Code.

ARTICLE 9: APPRAISAL OF A DISCOVERY AND GRANT OF AN EXPLOITATION AUTHORIZATION

9.1 If the Contractor discovers Hydrocarbons in the Exploration Perimeter, it shall notify the Minister in writing as soon as possible and shall carry out, in accordance with good international petroleum industry practice, the necessary tests. In the thirty (30) days following the date of provisional closing or of abandonment of the discovery well, the Contractor shall submit to the Minister a report giving all information related to the aforementioned discovery and shall provide its recommendations in respect of the continuation of its evaluation.

9.2 If the Contractor wishes to undertake the appraisal of the discovery referred to above, it shall diligently submit to the Minister for approval the appraisal works programme, the timetable of the works and the corresponding budget estimate, no later than six (6) months following the date on which the discovery was notified as set out in article 9.1 above.

The Contractor shall then undertake with all due diligence the appraisal works in accordance with the established program, it being understood that the provisions of articles 5.2 and 5.3 above will apply to said program.

9.3 Within three (3) months of the completion of the appraisal works, and no later than thirty (30) days prior to the expiration of the third phase of the exploration period defined in article 3.2, including any extension thereof in accordance with the provisions of articles 3.3 and 3.4 above, the Contractor shall submit to the Minister a detailed report giving all the technical and economic information relating to the reservoir which was discovered and appraised, establishing whether, in the Contractor's opinion, the aforementioned discovery is commercial or not.

This report shall include inter alia the following information: the geological and petro-physical characteristics and the estimated delimitation of the reservoir; the results of the tests and production tests carried out; the nature, properties and volume of the Hydrocarbons that it contains, a preliminary techno-economic study of the exploitation of the reservoir.

9.4 Any quantity of Hydrocarbons produced from a discovery before it is declared commercial shall be subject to the provisions of article 10 of this Contract, if it is not used for the performance of the Petroleum Operations or it is lost.

9.5 If a reservoir is considered by the Contractor to be commercial it shall be entitled to an Exploitation Authorization. In this case, the Contractor shall submit to the Minister an application for an Exploitation Authorization, within three (3) months after the submission of the report referred to in article 9.3 above, and no later than thirty (30) days before the expiration of the third phase of the exploration period defined in article 3.2, including any extension thereof in accordance with the provisions of articles 3.3 and 3.4 above. The aforementioned application shall specify the lateral and stratigraphic delimitation of the Exploitation Perimeter, which shall only cover the estimated limit(s) of the reservoir discovered and appraised inside the unexpired Exploration Perimeter and shall be supported with the technical justifications necessary for the aforementioned delimitation. The above-mentioned application for an Exploitation Authorization shall be accompanied by a detailed development and production program, including specifically with respect to the reservoir concerned:

9.5.1 An estimate of the proven and probable recoverable reserves and the corresponding production profile, as well as a study on the methods of recovery of Hydrocarbons and valorization of Natural Gas;

9.5.2 The description of works and installations required for the exploitation of the reservoir, such as the number of wells, the facilities necessary for the production, separation, processing, storage and transport of Hydrocarbons;

9.5.3 The program and schedule for performance of the aforesaid works and facilities, including the date of production start-up;

9.5.4 The estimate of the development investments and operating costs broken down by year, as well as an economic study confirming the commercial nature of the reservoir;

9.5.5 Methods of financing these investments by each entity constituting the Contractor;

9.5.6 The environmental impact assessment of the development project to be undertaken by the Contractor in accordance with the provisions of the Environmental Code;

9.5.7 An indicative diagram of Rehabilitation Plan to rehabilitate the sites at the end of operations.

The Minister shall be entitled to propose amendments or modifications to the above-mentioned development and production program, by notifying them to the Contractor with all the justifications deemed useful within ninety (90) days of receipt of said program. The provisions of article 5.2 above shall apply to said program as regards the approval thereof within the ninety (90) day period referred to above.

If the results obtained during the development justify changes to the development and production program, the aforementioned program may be modified by using the same procedure as that referred to above for its initial adoption.

9.6 The Exploitation Authorization shall be granted by the Minister within forty-five (45) days of the date of adoption of the development and production program by the Parties. The grant of an Exploitation Authorization entails the cancellation of the Exploration Authorization inside the Exploitation Perimeter, but lets it remain valid outside this area until its expiration date without modifying the minimum exploration work commitment provided for under article 4 above for the relevant phase of the exploration period.

9.7 If the Contractor makes several commercial discoveries in the Exploration Perimeter, each shall give rise, in accordance with article 9.5 and 9.6 above, to a separate Exploitation Authorization corresponding to an Exploitation Perimeter.

9.8 If during works performed after the grant of an Exploitation Authorization, it appears that the extent of the reservoir is larger than initially projected pursuant to article 9.5 above, the Minister shall grant to the Contractor under the framework of the Exploitation Authorization already granted, the additional portion provided that the extension forms an integral part of the unexpired Exploration Perimeter and the Contractor provides technical justifications for the extension requested.

If it appears that the reservoir has a shorter extension than initially projected, the Minister may require the Contractor to return the portion(s) which are outside the limits of the reservoir.

9.9 If a reservoir extends beyond the boundary of the unexpired Exploration Perimeter the Minister may require that the Contractor exploit the aforementioned reservoir in partnership with the permit-holder of adjacent perimeter in accordance with the provisions of article 53 of the Crude Hydrocarbons Code. Within twelve (12) months of the written request of the Minister, the Contractor shall put to him, for approval, a draft development and production program for the reservoir in question, prepared in agreement with the permit-holder of the rights to the adjacent perimeter.

In the event that a reservoir extends over one or several other perimeters which are not subject to a contract, an extension of the contractual perimeter can be carried out under the provisions of the Crude Hydrocarbons Code.

9.10 The Contractor shall start development operations including the necessary studies no later than six (6) months after the grant of the Exploitation Authorization referred to in article 9.6 above and shall monitor them with utmost diligence. The Contractor undertakes to carry out the development and production operations according to good international petroleum industry practice to ensure the optimal recovery of Hydrocarbons contained in the reservoir. The Contractor undertakes to start as soon as possible studies of enhanced recovery in consultation with the Ministry and to use such recovery procedures if, in the Contractor's opinion, such procedures may result in an improvement in the rate of recovery under economic conditions.

9.11 The duration of the exploitation period during which the Contractor is authorized to produce from a reservoir declared commercial is fixed at twenty-five (25) years if the exploitation relates to reservoirs of Crude Oil and thirty (30) years if the exploitation relates to Natural Gas reservoirs, starting from the date of grant of the corresponding Exploitation Authorization.

Upon expiry of the initial exploitation period defined above, the corresponding Exploitation Authorization may be renewed for an additional period of no more than ten (10) years upon reasoned request of the Contractor submitted to the Minister no later than one (1) year before the aforementioned expiration, provided that the Contractor has met all its contractual obligations under this Contract during the initial exploitation period and that it can demonstrate that commercial production from the Exploitation Perimeter remains possible during the requested additional period.

9.12 For any reservoir having resulted in the grant of an Exploitation Authorization, the Contractor undertakes, subject to the provisions of article 21 below, to bear the costs of all the Petroleum Operations which are useful and necessary for the exploitation of the reservoir, in accordance with the development and production program adopted.

However, if on the basis of technical knowledge acquired in respect of this reservoir, the Contractor deems and can provide accountable evidence, during the development and production program or in the course of exploitation, that production of the said reservoir cannot or can no longer be commercially profitable although the discovery well and the appraisal works resulted in the grant of an Exploitation Authorization in accordance with this Contract, the Minister undertakes not to oblige the Contractor to continue the works and to make technical-commercial arrangements, insofar as possible, with the Contractor which would make it possible for the Contractor to continue the profitable exploitation of the reservoir. If the Contractor decides not to continue exploitation works and if the Minister requires it, the Contractor shall relinquish the said Exploitation Authorization and any rights related thereto.

9.13 The Contractor may at any time, subject to at least a six (6) month prior written notice to the Minister, relinquish all or part of an Exploitation Perimeter, provided it has met all the obligations under this Contract.

9.14 The Contractor undertakes throughout the duration of the Exploitation Authorization to produce annually quantities of Hydrocarbons from each reservoir in accordance with good international petroleum industry standards by principally taking into account the rules of good reservoir preservation and the optimal recovery of Hydrocarbon reserves under economic conditions throughout the duration of the Exploitation Authorizations in question.

9.15 Stoppage of production of a reservoir for a period of over six (6) consecutive months decided by the Contractor without the approval of the Minister, may result in the termination of this Contract under the conditions provided for in article 25 below.

9.16 The Minister may, on three (3) months notice, require the Contractor to relinquish immediately, and without compensation, all its rights over the supposed discovery limits, including

Hydrocarbons which could be produced from the said discovery, if the Contractor, without duly justified reason:

9.16.1 has not submitted an appraisal work program in respect of the said discovery within the timeframe referred to in article 9.2 above;

9.16.2 has not completed the appraisal work of the said discovery in accordance with the assessment program and within the timeframe referred to in article 9.2 above;

9.16.3 or has not submitted an application for an Exploitation Authorization within the time referred to in article 9.5 above.

The State may then complete all the appraisal, development and production works in respect of this discovery provided that no damage is caused to the performance of Petroleum Operations by the Contractor in the Exploration Perimeter.

ARTICLE 10: RECOVERY OF PETROLEUM COSTS AND PRODUCTION SHARING

10.1 From the start of a regular production of Hydrocarbons under an Exploitation Authorization or an anticipated production authorization, such production shall be shared and marketed in accordance with the provisions below.

10.2 For the purposes of recovery of Petroleum Costs, the Contractor may freely retain, during each Quarter, in respect of each Exploitation Authorization, a portion of the corresponding total production equal to sixty percent (60%) for Crude Oil and to sixty-five percent (65%) for Dry Gas of the total quantity produced which is neither used in the Petroleum Operations, nor lost, or only a lesser percentage which would be necessary and sufficient.

The value of the portion of the total production allocated for recovery of the Petroleum Costs by the Contractor, as defined in the preceding paragraph, shall be calculated in accordance with the provisions of articles 14 and 15 below.

If during any Calendar Year the Petroleum Costs not yet recovered by the Contractor under the provisions of this article 10.2, exceed the equivalent in value of sixty percent (60%) in respect of Crude Oil or sixty-five percent (65%) in respect of Dry Gas of the total production calculated as indicated above, the excess of which cannot be recovered during the Calendar Year under consideration shall be carried forward the following Calendar Year(s) until full recovery of the Petroleum Costs or termination of this Contract.

The recovery of Petroleum Costs for any Quarter shall be made in accordance with the order set out in the Accounting Procedure.

10.3 The quantity of Hydrocarbons, under each Exploitation Authorization, remaining during each Quarter after the Contractor has retained the portion necessary for the recovery of the Petroleum Costs under the provisions of article 10.2 above from the total production, shall be shared between the State and the Contractor as follows, according to the value of the ratio "R" defined below:

Value of "R"	State Share	Contractor Share
Lower than 1	30%	70%
Greater than or equal to 1 and lower than 1.5	32.5%	67.5%
Greater than or equal to 1.5 and lower than 2	35%	65%
Greater than or equal to 2 and lower than 2.5	37.5%	62.5%

Greater than or equal to 2.5 and lower than 3	40%	60%
Greater than or equal to 3	42.5%	57.5%.

For the purposes of this article, the ratio "R" indicates the ratio of "Net Cumulated Income" of the Contractor to "Cumulated Investments" within the relevant Exploitation Perimeter, where:

"Net Cumulated Income" indicates the sum, from the Effective Date until the end of the previous Quarter, of the value of Hydrocarbons obtained by the Contractor in accordance with the provisions of articles 10.2 and 10.3 above; reduced by the Exploitation Petroleum Costs incurred by the Contractor, as defined and determined under the provisions of the Accounting Procedure.

"Cumulated Investments" means the sum, from the Effective Date until the end of the previous Quarter, of the Exploration Petroleum Costs, and the Development Petroleum Costs incurred by the Contractor, as defined and determined according to the provisions of the Accounting Procedure.

10.4 The State may receive its production defined in article 10.3 above, either in kind, or in cash.

10.5 If the State wishes to receive in kind all or part of its share of production as defined in article 10.3 above, the Minister shall notify the Contractor of such wish in writing at least ninety (90) days before the beginning of the Quarter concerned, specifying the exact quantity that it wishes to receive in kind during the aforementioned Quarter and the conditions of delivery.

To this end, it is agreed that the Contractor shall not enter into any sales commitment relating to the State share of production for a period greater than one hundred and eighty (180) days without the written approval of the Minister.

10.6 If the State wishes to receive in cash all or part of its share of production defined in article 10.3 above, or if the Minister has not notified the Contractor of its decision to receive in kind the State's share of production pursuant to article 10.5 above, the Contractor shall market the State's share of production to be taken in cash for the Quarter concerned, to lift this share during this Quarter, and to pay to the State, within the thirty (30) days following each lifting, an amount equal to the quantity corresponding to the State share of production multiplied by the F.O.B sales price less the inherent marketing expenses.

The Minister shall have the right to require the payment for sales of the State share of production sold by the Contractor in Dollars or any other foreign currency in which the transaction has been made.

ARTICLE 11: TAXATION

11.1 Each entity constituting the Contractor shall be subject to the business profits tax on their net profits generated in relation to the Petroleum Operations in accordance with articles 66 to 74 of the Crude Hydrocarbons Code and with the provisions of the Accounting Procedure defined in appendix 2 of this Contract.

The rate of this tax is fixed at twenty-six percent (26 %) for the duration of the Contract as defined in article 2.2 above.

For the purposes of determining the business profits tax industrial and commercial, the value of the Hydrocarbons marketed by the Contractor in accordance with articles 10.2 and 10.3 above, to be integrated in the taxable net profit, shall be established in accordance with the provisions of article 14 below.

11.2 Subject to the provisions of article 21 below, the Contractor shall pay to the State the following surface fees:

11.2.1 two Dollars ($2) per square kilometer and per annum during the first phase of the exploration period;

11.2.2 three Dollars ($3) per square kilometer and per annum during the second phase of the exploration period;

11.2.3 four Dollars ($4) per square kilometer and per annum during the third phase of the exploration period and during any extension provided for under articles 3.3 and 3.4 above;

11.2.4 one hundred and seventy Dollars ($170) per square kilometer and per annum for the effective duration of the Exploitation Authorization.

The surface fees referred to in subsections 11.2.1, 11.2.2 and 11.2.3 above shall be paid annually in advance, no later than the first day of each Contract Year, for the whole Contract Year, according to the scope of the Exploration Perimeter held by the Contractor as at the expiration date of the aforesaid fees.

The surface fees relating to an Exploitation Authorization shall be paid annually in advance, at the beginning of each Calendar Year according to the grant of the Exploitation Authorization or for the Calendar Year of the said grant, within thirty (30) days of the date of the grant, pro rata temporis for the remainder of the current Calendar Year), according to the scope of the Exploitation Perimeter at the aforementioned date.

In the event of abandonment of a surface during a Calendar Year or resulting from a Force Majeure event, the Contractor shall not be entitled to any reimbursement of surface fees already paid.

The amounts referred to in this article 11.2 shall not be regarded as recoverable Petroleum Costs under the provisions of article 10.2 above, or be considered as deductible charges for the establishment of the business profits in accordance with article 76 of the Crude Hydrocarbons Code.

11.3 The Contractor shall be liable for taxes and duties as well as deductions withheld and other tax obligations applicable to contractors in accordance with Title VI of the Crude Hydrocarbons Code.

11.4 The subcontractors of the Contractor as well as the personnel of the Contractor and of its subcontractors are subject to the existing tax provisions of common law in force, subject to the applicable provisions contained in Title VI of the Crude Hydrocarbons Code.

11.5 Subject to the provisions of article 83 of the Crude Hydrocarbons Code, the shareholders of the entities constituting the Contractor and their Affiliated Companies shall, in addition to the exemptions contained in article 86 of the aforementioned Code, also be exempt from all levies, duties, taxes and contributions relating to the dividends received, debts, loans and interest related to the Petroleum Operations.

11.6 Save for the taxes, contributions and duties provided for under Title VI of the Crude Hydrocarbons Code, surface fees provided for under article 11.2 above, bonuses under article 13 below, and the contribution referred in article 12.2 below, the Contractor shall be exempt from all levies, duties, taxes, fees or contributions of any nature, whether national, regional or communal, current or forthcoming, relating to the Petroleum Operations and any related income, or more generally, the properties, activities or acts of the Contractor, including its establishment, transfers of funds and its activities pursuant to the Contract, given that these exemptions apply only to Petroleum Operations.

The exemptions referred to in the present article do not apply to the services actually rendered to the Contractor by the Mauritanian public administrations and communities. However, the tariffs

applied with respect to the Contractor, its subcontractors, carriers, clients and agents shall remain reasonable compared to the services rendered and shall not exceed the tariffs generally applied for these same services by the aforementioned public administrations and communities. The cost of these services shall be regarded as recoverable Petroleum Costs in accordance with the provisions of article 10.2 of this Contract.

ARTICLE 12: PERSONNEL

12.1 The Contractor undertakes from the beginning of the Petroleum Operations to ensure priority employment based on equal qualifications for Mauritanian personnel and to contribute to the training of that personnel in order to allow their access to any position of skilled workers, foremen, executives, engineers and managers.

For this purpose, the Contractor shall establish at the end of each Calendar Year, in agreement with the Ministry, a plan for the recruitment of Mauritanian personnel and a plan for training and development to achieve an increased participation of the Mauritanian personnel in the Petroleum Operations.

12.2 The Contractor shall also contribute to the training and development of the agents from the Ministry and other entities referred to in article 80 of the Crude Hydrocarbons Code, in accordance with a plan established by the Ministry at the end of each Calendar Year.

For this purpose, the Contractor shall pay to the State, for the said training and development, an amount equal to one hundred and fifty thousand Dollars ($150,000) per Calendar Year for the duration of the Exploration Authorisation and, from the date of grant of an Exploitation Authorisation, an amount equal to five hundred thousand Dollars ($500,000) per Calendar Year Contract. The payments referred to above shall be considered as non recoverable Petroleum Costs under the provisions of article 10.2 above but as charges deductible from the business profits in accordance with article 82 of the Crude Hydrocarbons Code.

ARTICLE 13: BONUSES

13.1 The Contractor shall pay to the State a signature bonus of an amount of one million Dollars ($1,000,000) within thirty (30) days following the Effective Date.

13.2 In addition, the Contractor shall pay to the State the following production bonuses:

13.2.1 four million Dollars ($4,000,000) when the regular marketed production of Hydrocarbons extracted from the Exploitation Perimeters reaches for the first time the average rate of twenty-five thousand (25,000) Barrels of Crude Oil per day during a period of thirty (30) consecutive days;

13.2.2 six million Dollars ($6,000,000) when the regular marketed production of Hydrocarbons extracted from the Exploitation Perimeters reaches for the first time the average rate of fifty thousand (50,000) Barrels of Crude Oil per day during a period of thirty (30) consecutive days;

13.2.3 ten million Dollars ($10,000,000) when the regular marketed production of Hydrocarbons extracted from the Exploitation Perimeters reaches for the first time the average rate of one hundred thousand (100,000) Barrels of Crude Oil per day for a period of thirty (30) consecutive days;

13.2.4 eighteen million Dollars ($18,000,000) when the regular marketed production of Hydrocarbons extracted from the Exploitation Perimeters reaches for the first time the average rate of one hundred fifty thousand (150,000) Barrels of Crude Oil per day for a period of thirty (30) consecutive days.

Each amount referred to in the paragraphs 13.2.1 to 13.2.4 above shall be paid within thirty (30) days following the aforementioned reference period of thirty (30) consecutive days.

13.3 The amounts referred to in articles 13.1 and 13.2 above shall not be considered as recoverable Petroleum Costs under the provisions of article 10.2 above, nor considered as deductible charges for the purpose of calculating the business profits in accordance with article 79 of the Crude Hydrocarbons Code.

ARTICLE 14: PRICE OF HYDROCARBONS

14.1 The unit selling price of Crude Oil taken into consideration under articles 10 and 11 above shall be F.O.B. "Market Price" at the Delivery Point expressed in Dollars per Barrel such as below given for each Quarter.

A Market Price shall be established for each type of Crude Oil or mixture of Crude Oils.

14.2 The Market Price applicable to the liftings of Crude Oil carried out during a Quarter shall be calculated at the end of that Quarter, and shall be equal to the weighted average of the prices obtained by the Contractor and the State for sales of Crude Oil to Third Parties during the relevant Quarter, adjusted to reflect the differences in terms of quality and density as well as in terms of F.O.B delivery and terms of payment, provided that the quantities thus sold to Third Parties during the relevant Quarter represent at least thirty percent (30%) of the total quantities of Crude Oil obtained from all the granted Exploitation Perimeters under this Contract and sold during the said Quarter.

14.3 In the event that such sales to Third Parties are not made during the relevant Quarter, or do not represent at least thirty percent (30%) of the total quantities of Crude Oil obtained from the whole Exploitation Perimeters granted under this Contract and sold during the Quarter in question, the Market Price shall be established during the Quarter considered by comparison with the "Current International Market Price" of Crude Oil produced in Mauritania and in neighboring producing countries, taking into consideration the differences in terms of quality, density, transport and terms of payment.

The term "Current International Market Price" means the price allowing the Crude Oil sold to reach, at the processing or consumption locations, a competitive price equivalent to that of Crude Oil of similar quality coming from other regions and delivered under comparable commercial conditions, both in terms of quantities and destination and utilization of such Crude Oil and taking into account the market conditions and the type of contracts.

14.4 The following transactions shall, inter alia, be excluded from the calculation of the Market Price of Crude Oil:

14.4.1 sales in which the buyer is an Affiliated Company of the seller as well as sales between entities constituting the Contractor;

14.4.2 sales in exchange for payment other than payment in freely convertible currencies and sales driven, in whole or part, for reasons other than the usual economic incentives involved in Crude Oil sales on the international market (such as exchange contracts, sales from government to government or to government agencies).

14.5 A committee chaired by the Minister or his delegate and consisting of State representatives and those of the Contractor shall meet upon request of its chair, at the end of each Quarter, to establish, in accordance with the stipulations of this article 14 the Market Price of Crude Oil produced, which shall apply to the previous Quarter. The decisions of the committee shall be taken unanimously.

In the event that no decision is taken by the committee within thirty (30) days from the end of the Quarter in question, the Market price of the Crude Oil produced shall be definitely determined by an internationally recognized expert appointed by mutual agreement between the Parties, or, failing such agreement, by the International Center for Technical Expertise from the

International Chamber of Commerce. The expert shall set the price in accordance with the provisions of this article 14 within twenty (20) days from his appointment. The expert's costs shall be shared equally by the Parties.

14.6 Pending the determination of the price, the Market price provisionally applicable to a Quarter shall be the Market price of the preceding Quarter. Any necessary adjustment shall be made no later than thirty (30) days after the determination of the Market Price for the relevant Quarter.

14.7 The Contractor shall measure all the Hydrocarbons produced after their extraction from water and the related substances, using, with the consent of the Ministry, the instruments and procedures in keeping with the international petroleum industry methods then in force. The Ministry shall have the right to examine these measurements and to control the instruments and procedures used.

If during the exploitation, the Contactor wishes to change the said instruments and procedures, it shall obtain the prior consent of the Ministry.

If, during an inspection carried out by the Ministry, it is noted that the measuring instruments are inaccurate and exceed the permitted tolerances, and this situation is confirmed by an independent expert, the inaccuracy in question shall be regarded as having existed for half of the period since the preceding inspection, unless it can be demonstrated that this occurred in respect of a different length of time. The Petroleum Costs' account and the production and lifting shares of the Parties shall be subject of suitable adjustments within thirty (30) days following receipt of the expert's report.

14.8 For Dry Gas, the provision of this article 14 shall apply *mutatis mutandis* without prejudice to the provisions of article 15 below.

ARTICLE 15: NATURAL GAS

Non-associated Natural Gas

15.1 If a discovery as referred to in article 9.1 above relates to a Non-associated Natural Gas reservoir that the Contractor has undertaken to appraise in accordance with article 9.2 above, the Minister and the Contractor shall carry out jointly, and concurrently with the appraisal works of the said discovery, a market research intended to evaluate the possible outlets for this Natural Gas, for the local market and exportation, as well as the necessary means for its marketing, and they shall consider the possibility of jointly marketing their shares of production. The study shall determine in particular the quantities which can definitely be shifted on the local market by virtue of their nature as combustible or as raw material, the installations and arrangements necessary for the movement of this Natural Gas to user companies or government agency responsible for its distribution, as well as the estimated selling price which shall be determined in accordance with the principles provided for under article 15.8 below.

In order to assess the marketability of the discovered Non-associated Natural Gas, the Contractor shall be entitled, in accordance with article 3.4 above, to an extension of its Exploration Authorization.

If, following the evaluation of a discovery of Non-associated Natural Gas, it appears that the development of such discovery requires special economic terms, the Parties may agree, in exceptional circumstances, to such terms.

15.2 At the end of the appraisal work, should the Parties jointly decide to exploit this Natural Gas to supply the local market, or should the Contractor decide to exploit it for export, it shall submit before the end of the Exploration Authorization a request for an Exploitation Authorization which the Minister shall grant under the conditions provided in article 9.6 above.

The Contractor shall then carry out the development and the production of this Natural Gas in accordance with the development and production plan submitted and approved by the Minister in accordance with the provisions of article 9.5. The provisions of this Contract which are

applicable to Crude Oil shall apply mutatis-mutandis to Natural Gas, subject to the specific provisions of articles 15.7 to 15.9 below.

If the production is intended in whole or in part for the local market, a supply contract shall be entered into, under the aegis of the Minister, by the Contractor and the State agency responsible for the distribution of gas. The contract shall fix the obligations of the parties in terms of the supply and lifting of commercial gas and shall include a clause requiring the buyer to pay part of the price in case of failure in the lifting of contractual quantities.

15.3 In the absence of submission of an appraisal program or of a request for an Exploitation Authorization within the deadlines specified in articles 9.2 and 9.5 above, the surface including the extent of the reservoir of Non-associated Natural Gas shall be returned, at the request of the Minister, to the State which shall carry out for its own account all the works for the exploitation of the reservoir in question.

Associated Natural Gas

15.4 In the event of a discovery of a reservoir of Crude Oil which is commercial and which contains Associated Natural Gas, the Contractor shall indicate in the report referred to in article 9.3 above if it considers that the production of this Associated Natural Gas is likely to exceed the quantities necessary to the requirements of the Petroleum Operations related to the production of Crude Oil including re-injection operations, and if it considers that this excess can be produced in commercial quantities. If the Contractor has informed the Minister of such an excess, the Parties shall jointly evaluate the possible outlets for this surplus, both on the local market and for export (including the possibility of a joint marketing of their shares of production of this excess), as well as the means necessary for its marketing.

If the Parties agree to exploit the Associated Natural Gas surplus, or if the Contractor decides to exploit this surplus for export, the Contractor shall indicate in the development and production program referred to in article 9.5 above the additional facilities necessary for the development and the exploitation of this surplus and its estimate of the related costs.

The Contractor shall then proceed with the development and exploitation of this surplus in accordance with the development and production program submitted and approved by the Minister in accordance with the provisions of article 9.5 above, and the provisions of this Contract applicable to Crude Oil shall apply mutatis-mutandis to the Natural Gas surplus, subject to the specific provisions of articles 15.7 to 15.9 below.

A similar procedure to that in the above paragraph shall be followed if the marketing of the Associated Natural Gas is decided during the exploitation of a reservoir.

15.5 Should the Contractor decide not to exploit the excess Associated Natural Gas and should the State, at any time, wish to use it, the Minister shall notify the Contractor thereof, in which case:

15.5.1 The Contractor shall make available to the State, free of charge, upon its exit of the gas separation facilities, all or part of the excess which the State wishes to lift;

15.5.2 The State shall be responsible for the collection, processing, compression and transport of that excess from the separation facilities referred to above, and shall support all the additional costs related thereto;

15.5.3 The construction by the State of the facilities necessary for the operations mentioned in paragraph b) above, as well as the lifting of the excess by the State, shall be carried out in accordance with good international petroleum industry practice in such a way as to not impede with the production, lifting and transportation of Crude Oil by the Contractor.

15.6 Any excess of Associated Natural Gas which would not be utilized under articles 15.4 and 15.5 above shall be reinjected by the Contractor.

Common provisions

15.7 The Contractor shall have the right to dispose of its share of production of Natural Gas, in accordance with the provisions of this Contract. It shall also have the right to proceed with the separation of the liquids from all Natural Gas produced, and to transport, store as well as to sell on the local market or for export its share of liquid Hydrocarbons thus separated, which shall be regarded as Crude Oil for purposes of sharing between the Parties under article 10 above.

15.8 For the purposes of this Contract, the Market Price of Natural Gas, expressed in Dollars per million BTU, shall be equal:

15.8.1 With respect to the Natural Gas export sales to third parties, to the price obtained from purchasers;

15.8.2 With respect to sales on the local market of Natural Gas as a fuel, to a price agreed by mutual agreement between the Minister (or the national entity in charge of the distribution of gas on the local market) and the Contractor, on the basis of the market price of the rate of a substitute fuel for Natural Gas.

15.9 For the purposes of the application of articles 10.2, 10.3 and 13.2 above, the quantities of Natural Gas available after deduction of the reinjected or flared quantities and those used for the requirements for the Petroleum Operations, shall be expressed in a number of Barrels of Crude Oil such as one hundred and sixty five (165) cubic meters of Natural Gas measured at the temperature of 15.6°C and at the atmospheric pressure of 1,01325 bars are considered equal to one (1) Barrel of Crude Oil, unless otherwise agreed by the Parties.

ARTICLE 16: TRANSPORT OF HYDROCARBONS THROUGH PIPELINES

16.1 The Contractor shall have the right, during the term of the Contract and in the conditions defined in Title V of the Crude Hydrocarbons Code, to process and transport in its own facilities inside the territory of Mauritania and to have products processed and transported while keeping ownership thereof, the products of its exploitation activities or its share of the aforesaid products, to the storage, processing, lifting or major consumption points.

16.2 If conventions for the purposes of allowing or facilitating the transportation of Hydrocarbons through pipelines through other states are entered into between the aforementioned states and the Mauritanian Government, the State shall grant without discrimination to the Contractor all the advantages which could result from the execution of these conventions.

16.3 As part of transportation operations, the Contractor shall have rights and shall be subject to the obligations provided for under Title V of the Crude Hydrocarbons Code.

ARTICLE 17: OBLIGATIONS TO SUPPLY DOMESTIC MARKET

17.1 The Contractor shall comply with the requirements for domestic consumption of Hydrocarbons in accordance with the provisions of article 41 of the Crude Hydrocarbons Code.

17.2 The Minister shall notify the Contractor in writing, no later than October 1st of each Calendar Year, of the quantities of Hydrocarbons that the State desires to purchase in accordance with this article for the following Calendar Year. The deliveries shall be made to the State or to the beneficiary designated by the Minister, in amounts and at regular intervals during the said Calendar Year in accordance with the terms agreed by the Parties.

17.3 The price of the Hydrocarbons thus sold by the Contractor to the State shall be the market price determined in accordance with the provisions of article 14 and 15.8; it shall be payable to the Contractor in Dollars.

ARTICLE 18: IMPORT AND EXPORT

18.1 The Contractor shall have the right to import into Mauritania, on its behalf or that of its subcontractors, all the goods, materials, machinery, equipment, spare parts and consumables directly necessary for the proper conduct of the Petroleum Operations and specified in a specific customs list established by the Ministry, upon proposal from the Contractor, in accordance with article 92 of the Crude Hydrocarbons Code.

It is understood that the Contractor and its subcontractors undertake to effect the above- mentioned imports only insofar as the said materials and equipment are not available in Mauritania in equivalent conditions in terms of price, quantity, quality, terms of payment and delivery period.

18.2 The imports and re-exportations of the Contractor and its subcontractors are subject to the customs procedure under articles 90 to 96 of the Crude Hydrocarbons Code.

18.3 The Contractor, its customers and their carriers shall have the right, throughout the Contract, to export freely at the point of export chosen for this purpose, free of any duties and taxes and, without prejudice to the foregoing, VAT will be at zero rate and at any time, the share of Hydrocarbons to which the Contractor is entitled in accordance with the provisions of the Contract, after deduction of all the deliveries made to the State. However, the Contractor undertakes at the request of the State, not to sell Mauritanian Hydrocarbons to countries declared hostile to the State.

ARTICLE 19: FOREIGN EXCHANGE

19.1 The Contractor shall benefit from rights and shall be subject to the obligations under Title VII of the Crude Hydrocarbons Code regarding foreign exchange control and the protection of investments.

ARTICLE 20: BOOKKEEPING, MONETARY UNIT, ACCOUNTING

20.1 The Contractor shall maintain its records and books in accordance with the accounting regulations generally used in the international petroleum industry in accordance with the existing regulations and the Accounting Procedure defined in Appendix 2 of this Contract.

20.2 The records and books shall be maintained in Arabic, French or English and expressed in Dollars. They shall be materially supported by detailed documentation evidencing the expenditure and receipts of the Contractor under this Contract.

These records and books shall be used to determine the Petroleum Costs, the net profits of the Contractor subjected to the tax on business profit tax in accordance with articles 66 et al of the Crude Hydrocarbons Code. They shall include the Contractor's account showing the Hydrocarbon sales under this Contract.

For information purposes, the income statements and the balance sheets shall be maintained in Ouguiyas.

20.3 The original records and books indicated in article 20.1 above shall be maintained at the head office of the Operator, with at least one copy in Mauritania, until the Contractor is granted its first Exploitation Authorization. From the month during which the Contactor is granted the said Exploitation Authorization, the original records and books as well as the supporting documentation shall be maintained in Mauritania.

20.4 After notifying the Contractor in writing, the Minister shall have auditors of choice or his own agents examine and audit the records and books relating to the Petroleum Operations, in accordance with the conditions specified in the Accounting Procedure. He shall have a period

of five (5) years following the end of a given Calendar Year to carry out the appraisals or audits relating to the aforementioned Calendar Year and to put to the Contractor his objections for any contradictions or errors observed during these examinations or audits. The Parties may agree to extend this period for another year if special circumstances warrant it. The Parties expressly acknowledge that a Calendar Year may only be audited once.

The audit and correction period shall be extended to the end of the second Calendar Year following the Calendar Year during which the first lifting of Hydrocarbons was performed, for the Petroleum Costs incurred before the first year of production of Hydrocarbons.

The Contractor shall be required to provide all necessary assistance to the people designated by the Minister for this purpose and facilitate their interventions. The reasonable appraisal and audit expenditure shall be refunded to the State by the Contractor and shall be regarded as recoverable Petroleum Costs under the provisions of article 10.2 above.

20.5 The amounts due to the State or the Contractor shall be payable in Dollars or in another convertible currency selected by mutual agreement between the Parties.

In the event of a delay in payment, the amounts owed shall bear interest at the LIBOR rate +5% from the day when they should have been paid until the day of their payment, with monthly capitalization of interest if the delay exceeds thirty (30) days.

ARTICLE 21: GOVERNMENT PARTICIPATION

21.1 The State shall acquire, as at the Effective Date, through the National Company (Société Mauritanienne des Hydrocarbures) referred to in Article 6 of the Crude Hydrocarbons Code, an interest of ten percent (10%) in the rights and obligations of the Contractor in the Exploration Perimeter. Contractor entities, other than the National Company, shall finance this share in respect of all Petroleum Costs corresponding to the Exploration Petroleum Operations including appraisal / assessment of the discoveries made in the Exploration Perimeter and this for the duration of the Exploration Authorization referred to in article 3 above.

The National Company, as a Contractor entity, shall be entitled, pro rata to its participation, to the same rights and benefits and shall be subject to the same obligations as other members of the Contractor, subject to the provisions of this article 21.

21.2 The State shall have the option, through the National Company, to acquire a share in the Petroleum Operations in any Exploitation Perimeter stemming from the Exploration Perimeter, subject to the provisions of article 21.3 below.

In this case, the National Company shall have, in proportion to its participation, the same rights and shall be subject to the same obligations as the Contractor's as established in this Contract, subject to the provisions of this article 21.

For the avoidance of doubt, the participation of the State in the Exploration Perimeter shall continue to be financed by the Contractor entities, in accordance with article 21.1 above.

21.3 In the event the option to participate within an Exploitation Perimeter referred to in article 21.2 is exercised by the State, such State participation shall, in any event, be no less than ten percent (10%) and shall not exceed the maximum percentage of fifteen percent (15%).

21.4 No later than six (6) months from the date of grant of an Exploitation Authorization, the Minister shall notify the Contractor in writing the decision of the State to exercise its option to participate, specifying the percentage which it wishes to take, within the limits provided for in article 21.3 above. Such participation will take effect from the date of receipt of notification of the exercise of the State's option.

For the avoidance of doubt, the State shall not participate in any Petroleum Operations in the entire Exploitation Perimeter resulting from the Exploration Perimeter unless it exercises the option referred to in article 21.2

21.5 As from the date of receipt of notification of its participation referred to in articles 21.2 to 21.4, the State shall fund the Petroleum Costs in the relevant Exploitation Perimeter proportionally to its participation.

The State will reimburse the Contractor entities, other than the National Company, in accordance with article 21.6 below, in proportion to its participation, the Petroleum Costs not yet recovered relating to the relevant Exploitation Perimeter and which have been incurred from the Effective Date (save for exploitation Petroleum Costs (OPEX) and financial costs) up to the date of receipt of the notification referred to in article 21.4 above.

The Contractor shall be exempt from any tax or fee of any nature whatsoever in respect of such refunds or any capital appreciation thereon.

21.6 The State will transfer and will continue to give the Contractor forty five percent (45%) of the production share accruing to it in respect of its participation and in respect of its recovery of Petroleum Costs in accordance with article 10.2 above and the Accounting Procedure set out in Appendix 2, until the sum of these transfers or payments, valued at the provisions of articles 14 and 15 above is equal to one hundred and twelve percent (112%) of the Petroleum Costs referred to in the second paragraph of article 21.5 above.

21.7 For the avoidance of doubt, the reimbursement of Petroleum Costs stipulated in articles 21.5 and 21.6 above, does not address any part of the sums paid by the Contractor under articles 12 and 13 of this Contract.

21.8 The reimbursements made by the State under articles 21.5 and 21.6 above, will be paid in kind by the State, which will transfer to the Contractor entities, other than the National Company, a percentage of its quarterly share of the Hydrocarbons production stipulated in the articles, every Quarter, at the Delivery Point.

However, the State reserves the option to make such payments in Dollars, such payment to be made within ninety (90) days from the effective date of the participation referred to in article 21.4 above.

In the event of a failure to settle the full payment of such reimbursement within the deadline stipulated above, the repayment in kind referred to in articles 21.5 and 21.6 above will apply.

21.9 The practical arrangements for State participation stipulated in article 21.1 above as well as the rules and obligations applying to the Contractor entities, including the National Company, will be fixed in a joint operating agreement (JOA) to be entered into by these entities and which will enter into force no later than ninety (90) days from the Effective Date. Said joint operating agreement (JOA) will be amended whenever necessary and in particular to take into account, where applicable, the exercise by the State of its option under article 21.2 above.

21.10 The National Company on the one hand and other entities constituting the Contractor on the other hand, will not be jointly and severally liable for obligations under this Contract. The National Company shall be individually responsible vis-à-vis the State for its obligations as provided in this Contract. Any failure by the National Company to perform any of its obligations shall not constitute a failure of the other entities constituting the Contractor and shall, in no case, be invoked by the State to terminate this Contract. The association of the National Company and the Contractor, shall not, under any circumstances, cancel or affect the rights of other entities constituting the Contractor to have recourse to the arbitration clause provided for in article 28 below.

ARTICLE 22: ASSIGNMENT

22.1 The rights and obligations resulting from this Contract cannot be assigned to a third party, in whole or in part, by one of the entities constituting the Contractor without the prior approval of the Minister.

Each entity constituting the Contractor can assign freely and at any time, the whole or part of its interests arising from the Contract to an Affiliated Company or to another entity of the Contractor subject to a prior notification of the Minister.

If within three (3) months following notification to the Minister of a proposed assignment accompanied by all the necessary information to support the technical and financial capacities of the assignee, as well as the terms and conditions of the said assignment, the Minister has not given notice of his justified refusal, the said assignment shall be deemed approved by the Minister.

From the date of approval, the assignee shall acquire the status of Contractor and shall have to meet the obligations prescribed to the Contractor by this Contract.

22.2 Additionally, the Contractor or any entity of the Contractor shall have to submit the following to the prior approval of the Minister:

22.2.1 Any project which would be likely to bring, in particular by means of a new distribution of the registered shares, a change in the direct control of the Contractor or of the entity in question of the Contractor. The following shall be considered elements of control of the Contractor, or of one of its entities: the distribution of the registered capital, the nationality of the majority shareholders, as well as the statutory provisions relating to the head office and to the rights and obligations associated with the registered shares in relation to the majority required in the general meetings. However, the assignments of registered shares to Affiliated Companies shall be free subject to a prior notice being given to the Minister for information purposes and to the application of the provisions of article 24.4 below if necessary. Assignments of registered shares to Third Parties, however, shall be subject to the approval of the Minister only if they have the effect of assigning more than thirty percent (30%) of the capital of the company.

22.2.2 Any project to take security over assets and facilities allocated to Petroleum Operations.

The projects referred to in subparagraphs 22.2.1 and 22.2.2 shall be notified to the Minister. If within three (3) months following the aforementioned notification, the Minister has not notified the Contractor, or one of the entities in question, of his reasonable refusal to the said projects, they shall be deemed approved.

22.3 Where the Contractor consists of several entities, it shall provide the Minister, within a month of its signing, a copy of the joint operating agreement (JOA) entered into by the entities, and of all amendments which may be made to that agreement, and shall specify the name of the company designated as "Operator" for the Petroleum Operations. Any change of Operator shall be subject to the approval of the Minister in accordance with the provisions of article 6.2 above.

22.4 Assignments carried out in breach of the provisions of this article 22 shall be null and void.

ARTICLE 23: OWNERSHIP, USE AND ABANDONMENT OF ASSETS

23.1 The Contractor will be the owner of the assets, furniture and buildings, which it shall have acquired for the purposes of the Petroleum Operations, and shall maintain their full use, as well as the right to export or to transfer them to Third Parties throughout the duration of the Contract, provided that the State can acquire, free of charge, at the request of the Minister, all or part of

the assets belonging to the Contractor which shall have been used for Petroleum Operations and whose costs of acquisition shall have been fully recovered in accordance with article 10 above, in the following cases:

23.1.1 Upon expiration, waiver or termination of this Contract;

23.1.2 in the event of relinquishment or expiry of an Exploitation Authorization, with respect to the works and facilities located in the Exploitation Perimeter and the equipment assigned exclusively to the Petroleum Operations in the Exploitation Perimeter in question, unless the Contractor wishes to use these assets for Petroleum Operations in other Exploitation Perimeters resulting from the Exploration Perimeter.

23.2 Upon expiry, surrender or termination of any Exploitation Authorization, the Contractor shall carry out all the operations necessary to rehabilitate the sites in accordance with a Rehabilitation Plan established and financed in accordance with the following terms:

23.2.1 At the end of the Quarter during which sixty percent (60%) of the recoverable Hydrocarbon reserves identified in the development program of a reservoir as referred to in article 9.5 shall have been recovered, the Contractor shall prepare and submit to the Minister for approval a Rehabilitation Plan of the site, in conformity with international petroleum industry standard practices, which it proposes to carry out at the end of the operations of production, as well as a corresponding budget. Each year, the Contractor shall make the necessary amendments to the Rehabilitation Plan to take account of the evolution of the technical and financial parameters. The revised Rehabilitation Plan shall become the new Rehabilitation Plan on which bases the payments on the receiving accounts shall be calculated;

23.2.2 The Rehabilitation Plan shall include a detailed description of the removal works and/or of the securitization of the infrastructures such as the rigs, the storage facilities, the wells, etc. necessary to the protection of the environment and people;

23.2.3 The Minister shall propose, in consultation with the Minister for the Environment, amendments or changes to the Rehabilitation Plan, by notifying the Contractor of said revisions and changes in writing to the Contractor with all useful justifications, within ninety (90) days following receipt of the said Plan. The provisions of article 5.2 above shall apply in respect of the adoption of said Plan. When the results achieved during the exploitation justify changes to the Rehabilitation Plan, the aforementioned Plan and the corresponding budget shall be modified in accordance with the aforementioned approval and adoption procedure;

23.2.4 In order to finance the operations provided for in the Rehabilitation Plan, the Contractor shall open a receiver account at an international banking institution approved by the Minister, which it shall supply, starting from the Quarter following the adoption of the Rehabilitation Plan with annual deposits according to a schedule established in agreement with the Minister;

23.2.5 The funds deposited in the receiver account shall be deemed recoverable Petroleum Costs according to the procedures provided for in article 10.2 above, and shall be treated as deductible charges for the calculation of business profits tax. These funds, as well as the interest charged on the receiver accounts, shall be assigned exclusively for the payment of expenditures related to the operations of the Rehabilitation Plan;

23.2.6 The Contractor shall give the Minister prior notice of one hundred and eighty (180) days of its intention to start the operations provided for in the Rehabilitation Plan, save if the Minister notifies the Contractor within thirty (30) days following the above mentioned notification that:

(A) the exploitation of the reservoir on the Exploitation Perimeter in question shall hereinafter be continued by the State or a Third Party, or

(B) the State wishes to preserve the facilities for duly justified reasons.

In either of the aforementioned cases (A) and (B) above, the receiver account shall be transferred to the transferee;

23.2.7 If the expenditure necessary to the execution of the Rehabilitation Plan would be greater than the amount available in the receiver account, the entire excess shall be the responsibility of the Contractor;

23.2.8 The Contractor shall pay to the State at the expiry of the Exploitation Authorization the remaining sums in the receiver account which were not used for the performance of the Rehabilitation Plan and which have been recovered pursuant to article 10.2 above.

During the period of validity of the Contract, the wells recognized by mutual agreement as inappropriate for exploitation, may be taken over by the State, at the request of the Minister, for the purpose of converting them into water wells. The Contractor shall then leave the casings in place at the height requested, and possibly, the wellhead, and shall carry out at its expense the plugging of the well at a depth requested. In this case, the Contractor shall not be liable for the consequences of the conversion and the future use of the well.

ARTICLE 24: LIABILITY AND INSURANCE

24.1 The Contractor shall indemnify and compensate any person, including the State, for any damage or loss that the Contractor, its employees or its subcontractors and their employees may cause to any person, to the property or the rights of other people, caused by or resulting from Petroleum Operations.

In the event that State liability is sought as a result of or in relation to the Petroleum Operations, the Minister shall notify the Contractor who, in turn, will defend any claim in this respect and will indemnify the State for any amount which it would be liable for or for expenses related thereto that it would have paid or incurred in relation to such a claim.

24.2 The Contractor shall take out and maintain in force, and cause to be taken out and maintained in force by its subcontractors, all insurances relating to the Petroleum Operations of such forms and for such amounts used in the international petroleum industry, including (a) an insurance contract in respect of its general civil liability and covering the pecuniary consequences of the physical, material and immaterial damages during the or caused by the performance of Petroleum Operations, (b) an insurance contract covering the environmental risks related to the performance of Petroleum Operations, (c) an insurance contract covering industrial accidents and covering the financial consequences of industrial accidents which their personnel would be victims of, and (d) any other insurance contract whose subscription would be required by the regulations in force.

The insurances in question shall be taken out with well-known insurance companies, in accordance with applicable legislation.

The Contractor shall provide the Minister with certificates justifying the subscription to and the maintenance of the insurances referred to above.

24.3 When the Contractor consists of several entities, the duties and liabilities of the latter under the terms of this Contract shall be, subject to the provisions of article 21 above, joint, save for their obligations with respect to the tax on business profits.

24.4 If one of the entities of the Contractor transfers all or part of its rights and obligations under this Contract to an Affiliated Company, provided that the latter has lower technical and financial capacities, its parent company shall submit to the approval of the Minister an undertaking to guarantee the proper performance of the obligations arising from this Contract.

ARTICLE 25: TERMINATION OF THE CONTRACT

25.1 This Contract may be terminated, without compensation, in either of the following cases:

25.1.1 Serious and/or recurring breach by the Contractor of the provisions of this Contract, of the Crude Hydrocarbons Code, or of the existing regulations applicable to the Contractor;

25.1.2 Non-delivery of the banking guarantee in accordance with article 4.6;

25.1.3 Delay of over three (3) months with respect to the payment due to the State;

25.1.4 Discontinuation of development works with respect to a reservoir for six (6) consecutive months without approval of the Minister;

25.1.5 After the start of the production from a reservoir, stoppage of its exploitation for a duration of more than six (6) months decided by the Contractor without approval of the Minister;

25.1.6 Failure by the Contractor to comply, within the time prescribed, with an arbitral award delivered in accordance with the provisions of article 28 below;

25.1.7 Bankruptcy, judicial settlement or liquidation of the Contractor's assets.

25.2 Save as provided for in paragraph 25.1.7 above, the Minister shall declare the forfeiture provided for in article 25.1 above only after having given formal notice to the Contractor, by registered letter with acknowledgment of delivery, to remedy the breach in question within three months (or within six (6) months with respect to the occurrences set forth in paragraphs 25.1.4 and 25.1.5 above) from the date of receipt of such notice.

Failure of the Contractor to remedy the breach stated in the notice within the time limit shall cause the termination of this Contract.

Any dispute as to whether any ground exists to justify the termination of the Contract declared by the Minister may be subject to arbitration in accordance with the provisions of article 28 below. In this case, the Contract shall remain in force until the enforcement of the arbitral award by the Parties.

Termination of this Contract shall automatically lead to the withdrawal of the Exploration Authorization and the Exploitation Authorizations currently in force.

ARTICLE 26: APPLICABLE LAW AND STABILITY OF THE CONDITIONS

26.1 This Contract shall be governed by the laws and regulations of the Islamic Republic of Mauritania, supplemented by the general principles of the international commercial law.

The provisions of this Contract shall prevail over any other contrary provisions.

26.2 The Contractor shall be subject at any time to the laws and regulations in force in the Islamic Republic of Mauritania.

26.3 The Contractor shall not be subject to any legislative or regulatory provision arising after the Effective Date of the Contract which could effectively directly or indirectly reduce the rights of the Contractor or increase its obligations under this Contract and under the legislation and the regulations in force at the effective date of this Contract, without prior agreement of the Parties.

However, it is agreed that the Contractor shall not, under the preceding paragraph, object to the application of the legislative and regulatory provisions of the general law adopted subsequently to the Effective Date of the Contract relating to the safety of people and protection of the environment or to employment law.

ARTICLE 27: FORCE MAJEURE

27.1 Any obligation resulting from this Contract which a Party would be totally or partially unable to comply with, save in respect to the payments of which it would be liable, shall not be deemed a breach of this Contract if the aforementioned non performance results from a Force Majeure event, provided, however, that there is a direct cause and effect relationship between the non performance and the Force Majeure event invoked.

27.2 For the purposes of this Contract, Force Majeure events shall mean any unforeseeable event which is irresistible or beyond the control of the Party invoking it, such as earthquakes, accidents, strikes, guerillas, terrorist acts, blockades, riots, insurrections, civil disorders, sabotages, acts of war, subjection of the Contractor to any law, regulation, or any other uncontrolled cause is to delay and render performance of its obligations, in whole or in part, temporarily impossible. The intention of the Parties is that Force Majeure shall be interpreted in accordance with international petroleum industry principles and practices.

27.3 When a Party considers that it is prevented from carrying out any of its obligations because of a Force Majeure event, it must immediately notify it in writing with the other Part by specifying all elements establishing the occurrence of a Force Majeure event and to take, in agreement with the other Party, all useful and necessary measures allowing the normal resumption of the performance of the obligations affected by the Force Majeure as of the suspension of the Force Majeure event.

The obligations other than those affected by Force Majeure shall continue to be performed in accordance with the provisions of this Contract.

27.4 If the execution of any of the obligations of this Contract is delayed due to a case of Force Majeure, the duration of the resulting delay, along with the time which may be necessary to make good any damage caused by the Force Majeure event, shall be added to the time stipulated in this Contract for the performance of the aforesaid obligation as well as to the duration of the Contract, the Exploration and Exploitation Authorizations currently in force.

ARTICLE 28: ARBITRATION AND EXPERTISE

28.1 In the event of any dispute between the State and the Contractor in respect of the interpretation or the application of the provisions of this Contract, the Parties shall endeavor to solve this dispute by amicable agreement.

The provisions of article 14.5 above apply to the Market price of Crude Oil.

The Parties may also agree to submit any other dispute of technical order to an expert appointed by mutual agreement or by the International Center of Technical Expertise of the International Chamber of Commerce ("ICC").

If, within ninety (90) days the notification of a dispute, the Parties do not reach an amicable settlement, or following the expert's recommendation, the dispute shall be submitted, at the request of the most diligent Party, to the ICC for arbitration in accordance the ICC Rules of Arbitration.

28.2 The seat of the arbitration shall be Paris (France). The language used during the procedure shall be the French language and the applicable law shall be Mauritanian law as well as the international law rules and practices applicable to the subject matter.

The arbitration tribunal shall be composed of three (3) arbitrators. No arbitrator shall be a national of the countries to which either Party belongs.

The arbitration award shall be final and irrevocable. It shall be binding on the Parties and immediately enforceable.

The expenses of the arbitration shall be supported equally by the Parties, subject to the decision of the tribunal concerning their apportionment.

The Parties give up formally and without reservation any right to challenge the aforementioned award, to hinder its recognition and enforcement by any means whatsoever.

28.3 The Parties shall conform to any conservatory measures prescribed by the arbitration tribunal. Without prejudice to the capacity of the arbitration tribunal to recommend conservatory measures, each Party shall request temporary or conservatory measures pursuant to the pre arbitration provisory settlement of the ICC.

28.4 A commencement of arbitral proceedings shall give rise to the suspension of the contractual provisions concerning the subject matter of the dispute, but all other rights and obligations of the Parties under this Contract shall remain in force.

28.5 Subject to the provisions of article 21 above, the fees and expenses of the expert referred to in article 28.1 above shall be borne by the Contractor until the grant of the first Exploitation Authorization, and shall thereafter be borne equally by each Party. These costs shall be regarded as recoverable Petroleum Costs in accordance with article 10 of this Contract.

ARTICLE 29: CONDITIONS FOR APPLICATION OF THE CONTRACT

29.1 The Parties hereby agree to cooperate in all possible ways in order to achieve the object of this Contract.

The State shall facilitate the performance, by the Contractor of its operations by granting it all permits, authorizations, licenses and rights of access necessary for performance of the Petroleum Operations, and by making available all the appropriate services for the said Operations of the Contractor and its employees and agents on the national territory.

Any request for permits, authorizations, licenses and rights referred to above shall be submitted to the Minister who shall transmit it, if necessary, to the relevant ministries and organizations, and shall ensure its follow-up. These requests shall not be rejected without legitimate reason and shall be promptly reviewed to avoid any undue delay of the Petroleum Operations.

29.2 All the notifications or other communications referring to the present Contract shall be made in writing and shall be regarded as having been validly given or made either as soon as they have been personally delivered and with acknowledgement of receipt to the a qualified representative of the Party concerned at its principal place of business in Mauritania, or shall have been delivered as registered mail with acknowledgment of delivery, or sent by facsimile confirmed by letter and after confirmation of the reception by the recipient with the indication of residence indicated below:

For the Ministry:

Directorate of Crude Hydrocarbons ("Direction des Hydrocarbures Bruts") BP:4921
Nouakchott Mauritania
Tel/fax: +222.524 43 07

For the Contractor:

Tullow Mauritania Ltd
Ksar Rue 23-030, PO Box 1551 Nouakchott, Mauritania
Tel: +222 525 6143
Fax: +222 525 6182

The notifications shall be deemed made on the date of receipt by the recipient, in accordance with the acknowledgment of receipt.

29.3 The State and the Contractor may at any time change their authorized representatives or amend the addresses mentioned in article 29.2 above, subject to prior notice of at least ten (10) days.

29.4 This Contract may be modified only by mutual agreement between the Parties and by the conclusion of an amendment approved and coming into effect in accordance with the conditions provided in article 30 above.

29.5 Any waiver by the State of the performance of an obligation of the Contractor shall be made in writing and signed by the Minister, and no waiver shall be considered as a precedent if the State waives the exercise of any of its rights which it is entitled to under this Contract.

29.6 The headings in this Contract are inserted for convenience and reference purposes only and shall not in any manner define, restrict or describe the scope or object of the provisions of the Contract.

29.7 Appendices 1, 2 and 3 are an integral part of this Contract. In case of conflict, the provisions of this Contract shall prevail over those of the Appendices.

ARTICLE 30: EFFECTIVE DATE

After execution by the Parties, this Contract shall be approved by decree of the Council of Ministers and shall become effective as from the date of the publication of said decree in the Official Journal, the aforementioned date being indicated under the name of Effective Date and making the aforementioned Contract binding for the Parties.

In witness whereof, the Parties have signed this Contract in three (3) original copies.

In Nouakchott on 17 May 2012

For
THE ISLAMIC REPUBLIC OF MAURITANIA
Minister in charge of Petroleum, Energy and Mines

/s/ Taleb Abdivall

Mr Taleb Abdivall

For
TULLOW MAURITANIA LTD

/s/ David Lawrie

Mr David Lawrie

APPENDIX 1: EXPLORATION PERIMETER

Appended as an integral part of the Contract made between the Islamic Republic of Mauritania and the Contractor.

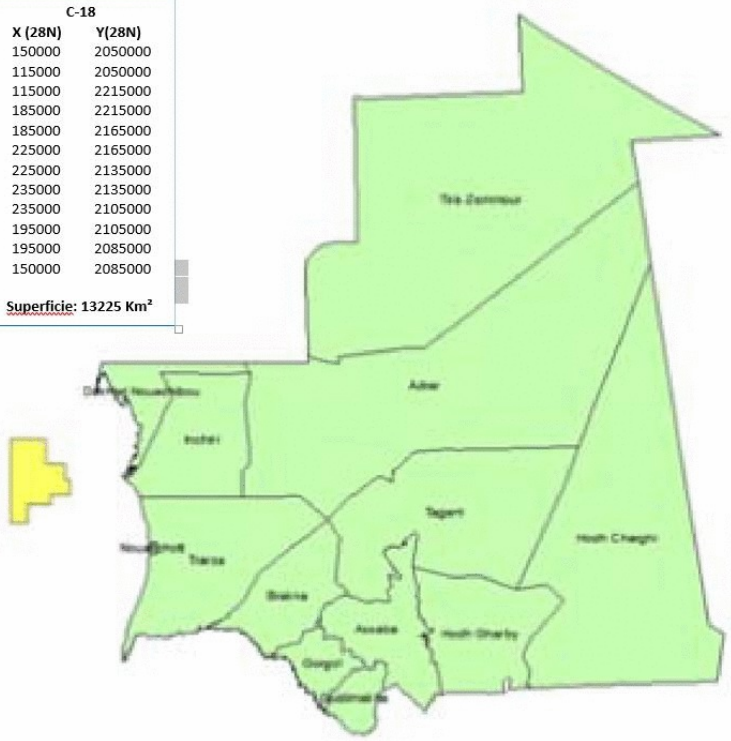
As at the Effective Date, the initial Exploration Perimeter covers a surface area deemed to be equal to thirteen thousand two hundred and twenty five (13,225) km².

Co-ordinates given on the maps are defined below by reference to the following coordinates using WGS 1984 Geographic Coordinate Reference System.

MAP OF THE EXPLORATION PERIMETER

C-18	
X (28N)	**Y(28N)**
150000	2050000
115000	2050000
115000	2215000
185000	2215000
185000	2165000
225000	2165000
225000	2135000
235000	2135000
235000	2105000
195000	2105000
195000	2085000
150000	2085000

Superficie: 13225 Km²



APPENDIX 2 : ACCOUNTING PROCEDURE

Appended as an integral part of the Contract made between the Islamic Republic of Mauritania and the Contractor.

ARTICLE 1 : GENERAL PROVISIONS

1.1 Purpose

The purpose of this Accounting Procedure is to establish the rules and methods of accounting for and controlling Petroleum Costs with a view to collecting such costs and with a view to sharing production in keeping with article 10 of the Contract, and the rules for determining the net profit earned by the Contractor for the purposes of calculating the tax on industrial and commercial profits.

1.2 Accounts and Records

The accounts, books and records of the Contractor shall be kept following the rules of the chart of accounts in effect in Mauritania and the practices and methods in use in the international oil industry.

In accordance with the provisions of article 20.2 of the Contract, the accounts, books and records of the Contractor shall be kept in French and denominated in Dollars.

Whenever it is necessary to convert the expenses and receipts paid or received in any other currency into Dollars, such expenses and receipts shall be evaluated on the basis of the exchange rates quoted on the Paris foreign exchange market, according to terms established by mutual agreement.

1.3 Interpretation

The definitions of the terms included in this Appendix 2 are the same as those of corresponding terms in the Contract.

In addition to the meaning assigned to the term "Contractor" in the Contract, "Contractor" may at times refer to the Operator where the Contractor is made up of several entities and the Petroleum Operations in question are led by the Operator on behalf of all those entities, or at times to each of these entities where the obligations in question are borne by them individually.

ARTICLE 2 : PETROLEUM COSTS ACCOUNT

2.1 General Rules and Principles – Categories and Groups

2.1.1 The Contractor shall maintain a specific account set up and reserved for recording Petroleum Costs, which will record in detail the Petroleum Costs actually paid by the Contractor that entitle the Contractor to recovery pursuant to the provisions of this Contract and Appendix, the recovered Petroleum Costs whenever production is allocated for that purpose, and any amounts credited or charged to Petroleum Costs

2.1.2 The Petroleum Costs account must always make evident, in respect of the Exploration Perimeter and any Exploitation Perimeter arising from it:

- The total Petroleum Costs paid by the Contractor since the Effective Date;
- The total amount of recovered Petroleum Costs;
- Amounts mitigating or subtracted from Petroleum Costs and the corresponding operations;

- The amount of Petroleum Costs remaining to be recovered.

2.1.3 The Petroleum Costs account shall record in the debit column all expenses actually paid and directly related to the Petroleum Operations, pursuant to the Contract and provisions of this Appendix that should be allocated to Petroleum Costs.

These expenses that have been paid must be:

- the actual responsibility of the Contractor;
- necessary for the satisfactory conduct of Petroleum Operations;
- justified and substantiated by supporting documentation for effective oversight by the Ministry.

2.1.4 The Petroleum Costs account shall record in the credit column the amount of recovered Petroleum Costs as these are recovered, together with the revenue and proceeds of all kinds, whenever these are collected, that may be deducted from or offset against the Petroleum Costs.

2.1.5 Original copies of contracts, invoices and all other supporting documentation for the Petroleum Costs must be kept at the disposal of the Ministry and presented upon any Ministry request.

2.1.6 Petroleum Costs shall be recovered:

(A) in accordance with nature of the costs order of priority:

- Exploitation Petroleum Costs;
- Development Petroleum Costs;
- Exploration Petroleum Costs;

as these Petroleum Cost categories are defined below in articles 3.2, 3.3 and 3.4 of this Appendix.

(B) In accordance with the geographical order of priority:

- The Petroleum Costs incurred in an Exploitation Perimeter shall be first to be recovered from the production resulting from it, in the order specified in paragraph (A) above.
- The Petroleum Costs incurred outside of an Exploitation Perimeter shall be second to be recovered from the production resulting from it, in the order specified in paragraph (A) above.
- The Petroleum Costs incurred within the Exploitation Perimeters, other than the one in question, will be recovered before the Petroleum Costs incurred in the Exploration Perimeter in the order specified in paragraph (A) above.

Each entity that makes up the Contractor is entitled to recover its Petroleum Costs as soon as production begins.

2.1.7 The Petroleum Costs account must be true and sincere; it must be set up, and the books kept and presented such that the related Petroleum Costs may be easily grouped together and identified, in particular with regards to expenses for:

- exploration,
- appraisal,
- development,
- production of Crude Oil,

- production of Natural Gas,
- removal of Hydrocarbons and storage,
- related, subsidiary or secondary activities, identifying each;

and any amounts paid into a receiver account in accordance with article 23.2 of the Contract.

2.1.8 For each of the activities below, the Petroleum Costs account must plainly identify the expenses for:

(A) Tangible fixed assets, especially those connected with the acquisition, creation, construction or completion of:

- land,
- buildings (workshops, offices, shops, housing, laboratories, etc.);
- warehouse loading facilities,
- access roads and general infrastructure,
- means of transporting Hydrocarbons (drainage systems, tankers, etc.),
- general equipment,
- special equipment and facilities,
- transportation vehicles and civil engineering devices,
- equipment and tools (the normal length of use of which is more than one year),
- production wells,
- other tangible fixed assets.

(B) With respect to intangible fixed assets, specifically those related to:

- geological and geophysical field work, laboratory work, studies, reprocessing, etc.),
- non-productive exploration wells which are not used in relation to the development plan,
- other intangible fixed assets.

(C) Consumable equipment and material.

(D) Operational expenditures:

These are various kinds of expenses, excluding the general expenses referred to below, that are not included in paragraphs (A) to (C) above of this article
2.1.8 and directly linked to the study, conduct, and performance of the Petroleum Operations.

(E) Non-operational expenditures or general expenses. These are expenses borne by the Contractor in relation to the Petroleum Operations and directly linked to the management and administration of such operations.

2.1.9 For each expense category listed or defined above in paragraphs (A) to (D) of article 2.1.8, the Petroleum Costs account must also plainly identify payments made to:

- the Operator for goods and services it provided;
- entities that make up the Contractor, for goods and services they themselves provided;

- Affiliated Companies;
- Third Parties.

2.2 Analysis of expenses and allocation methods

2.2.1 The Contractor's usual principles of allocation and methods of analysis in terms of distribution and repayment must be applied to all its activities evenly, fairly, and without discrimination. These principles must be disclosed to the Ministry at the Ministry's request.

The Contractor shall inform the Ministry of any amendment it may make to its principles and methods.

2.2.2 Tangible assets built, manufactured, created or realised by the Contractor as part of the Petroleum Operations and effectively allocated to such operations, together with day- to-day maintenance, shall be recorded at their construction, manufacturing, creation or realisation cost price.

2.2.3 The equipment, material, and consumable goods required for the Petroleum Operations other than those referred to above are:

(A) those either acquired for immediate use, subject to shipping time and, if necessary, temporary storage by the Contractor (without being mixed together with its own inventory). For the purposes of allocation to Petroleum Costs, such equipment, material and consumable goods acquired by the Contractor shall be valued at the delivered price where they are used (delivered price in Mauritania)

The delivered price in Mauritania includes the following items, allocated according to the cost accounting methods of the Contractor:

- the purchase price after deductions and rebates,
- the costs of transportation, insurance, transit, handling and customs (and other possible duties and taxes) from the store of the vendor to the store of the Contractor or place of use, whichever is applicable,

(B) or those provided by the Contractor from its own inventory.

- New equipment and materials, together with consumable materials, provided by the Contractor from its own inventory shall be valued, for the purposes of allocation, at the last average weighted cost price, calculated in accordance with the provisions of paragraph (A) of this article 2.2.3, hereinafter referred to as the "net cost".
- The depreciable materials and equipment which have already been used and that were provided by the Contractor from its own inventory or that for its other activities, including its Affiliated Companies, shall be valued for allocation to Petroleum Costs on the following scale:
- New Material (State "A"): New material which has never been used: 100% (one hundred per cent) of the net cost.
- Material in good condition (State "B"): Second-hand material in good condition still capable of being used for its initial purpose without repairs: 75% (seventy five per cent) of the net cost of the new material as defined above.
- Other used material (State "C"): Material which is capable of being used for its initial purpose, but only after repairs and reconditioning:

50% (fifty per cent) of the net cost of the new material as defined above.

- Material in poor condition (State "D"): Material which is not capable of being used for its initial purpose, but which may be used for other services: 25% (twenty five per cent) of the net cost of the new material as defined above.
- Scrap and rejects (State "E"): Material incapable of being used and repaired: current scrap price.

2.2.3.1 The Operator does not guarantee the quality of the new material referred to above beyond the guarantee provided by the manufacturer or seller of the material in question. In the event of defective new material, the Contractor shall endeavour to obtain reimbursement or compensation from the manufacturer or from the seller; however, the corresponding credit shall only be recorded upon receipt of reimbursement or compensation.

2.2.3.2 In the event the used material referred to above is defective, the Contractor shall credit the Petroleum Costs account with the sums it has effectively collected as compensation.

2.2.3.3 Use of materials, equipment and facilities belonging to the Contractor itself.

A rental amount for the material, equipment and facilities belonging to the Contractor and used temporarily for the Petroleum Operations shall be allocated which covers

(A) Maintenance and repairs.

(B) A share, proportional to the amount of time used for Petroleum Operations, of the depreciations calculated by applying a rate to the historical cost price (non- revalued initial cost) that is not greater than the one set out in article 4.2 below.

(C) Transportation and running expenses and all other expenses which are not already allocated elsewhere.

The price invoiced excludes all charges arising out of the surplus owed, in particular, because of a fixed asset or because of abnormal or cyclical suspension of use of said equipment and facilities for the Contractor's activities other than the Petroleum Operations.

In any event, the costs allocated to Petroleum Costs for the use of such equipment and facilities shall not exceed those which would normally be incurred in Mauritania by third party companies, nor result in multi-stage allocations of costs and profits.

The Contractor shall keep a detailed statement of materials, equipment and facilities that belong to it and which are allocated to the Petroleum Operations, providing the description and identification number of each item, the related maintenance and repair charges and the dates on which each item was allocated and withdrawn from Petroleum Operations. This statement must be received by the Ministry no later than 1 March of each year.

2.3 Operating expenses

2.3.1 These expenses shall be allocated to Petroleum Costs at the cost price for the Contractor of relevant services or costs, as the price is recorded in the Contractor's accounts and as it is determined pursuant to the provisions of this Appendix. These expenses include, in particular:

2.3.2 Fees, duties and taxes incurred and paid in Mauritania under applicable regulations and under the provisions of the Contract which are directly linked to the Petroleum Operations.

The surface area royalty, business/professional income tax and the bonuses referred to in articles 11 and 13 of the Contract respectively, or any other charge for which recovery is excluded by a provision of the Contract or of this Appendix, shall not be allocated to Petroleum Costs.

2.3.3 Costs of staff and staff surroundings

2.3.3.1 Principles

Insofar as they correspond to actual work and services and are not excessive in proportion to the extent of responsibilities undertaken, the work performed and usual practices, these costs include all payments made for the use and the surroundings of staff working in Mauritania and recruited for the execution and performance or oversight of the Petroleum Operations. These staff members include people hired locally by the Contractor and those made available to the Contractor by Affiliated Companies, other Parties or Third Parties.

These expenses are also deductible when they relate to a permanent establishment of the Contractor abroad when the business of this permanent establishment is carried out exclusively for the Contractor's Petroleum Operations in Mauritania.

2.3.3.2 Included Items.

Costs for staff and surroundings include, on one hand, all amounts paid or reimbursed for the above-mentioned staff pursuant to laws or regulations, collective bargaining agreements, employment contracts and regulations specific to the Contractor and, on the other hand, expenses paid for the staff's environment, in particular:

(1) Wages and activity or holiday pay, overtime, bonuses and other compensation;

(2) Related employer's contributions arising from laws and regulations, collective bargaining agreements and terms of employment;

(3) Costs paid for staff surroundings; these include in particular:

- Costs of medical and hospital care, social contributions and all other specific employee costs of the Contractor,
- Costs of transportation of employees, their families and personal property, when these costs are assumed by the employer pursuant to the employment contract,
- Staff housing costs, including the related services when these are assumed by the employer pursuant to the employment contract (water, gas, electricity, telephone, etc.),
- Allowances paid upon arrival and departure of employees,
- Costs of administrative staff performing the following services: management and recruitment of local personnel, management of expatriate personnel, professional training, maintenance and operations of offices and lodgings, when these costs are not included in general expenses or other headings,
- Costs of renting or occupying offices, costs of collective administrative services (secretariat, furniture, office equipment, telephone, etc.).

2.3.3.3 Allocation conditions.

Staff costs correspond either to:

(4) Direct costs allocated to the corresponding Petroleum Costs account, or

(5) Indirect or shared costs allocated to the Petroleum Costs account using cost accounting data determined pro rata to the time dedicated to Petroleum Operations.

2.3.4 Expenses paid for services provided by Third Parties, entities making up the Contractor and Affiliated Companies, including in particular:

2.3.4.1 Services provided by Third Parties and the Parties, shall be allocated at the accounting cost price for the Contractor, i.e. at the price charged by the suppliers, including all possible duties, taxes and supplemental charges; all discounts, reductions, refunds and rebates obtained either directly or indirectly by the Contractor shall be deducted from these cost prices.

2.3.4.2 The technical assistance provided to the Contractor by its Affiliated Companies; this consists of services provided for the benefit of Petroleum Operations by the departments and services of those Affiliated Companies which carry out the following activities:

- Geology,
- Geophysics,
- Engineering,
- Drilling and production,
- Fields and study of reservoirs,
- Economic surveys,
- Technical contracts,
- Laboratories,
- Purchases and transit (save for expenses included in those referred to in 2.2.3 above),
- Drawings,
- Certain administrative and legal activities related to well- defined or occasional studies or works and which are not part of the current and regular activity, nor of the legal activity referred to in 2.3.8 below.

Technical assistance shall essentially be the subject of service contracts agreed between the Contractor and its Affiliated Companies.

Expenses for technical assistance provided by the Affiliated Companies shall be allocated at the cost price for the Affiliated Company providing the assistance. This cost price includes, in particular, personnel costs, the costs of consumable materials and goods used, expenses for repairs and maintenance, insurance, taxes, a share of the depreciation of general investments calculated according to the original acquisition value or construction value of the relevant assets and all other expenses incurred as a result of those services which have not been allocated elsewhere.

The price excludes, however, all charges relating to additional costs due, in particular, to a fixed asset or to an abnormal or cyclical use or suspension of use of materials, facilities and equipment by the Affiliated Company.

In any event, the expenses relating to these services shall not exceed those which are normally required, for similar services, by companies providing technical services and independent laboratories. They must not result in multi-stage allocations of costs and profits.

In addition, all these services, including analytical studies, must be supported with reports presented upon request of the Ministry. They must be requested through written orders issued by the Contractor, and be recorded in detailed invoices thereafter.

2.3.4.3 When the Contractor uses material, equipment or facilities for Petroleum Operations, which belong exclusively to an entity forming part of the Contractor, it shall allocate to Petroleum Costs, pro rata to the length of use, the corresponding charges determined using its usual methods and pursuant to the principles defined in 2.3.4.2 above. This charge includes, in particular, a share of:

- the annual depreciation calculated on the original "delivered price in Mauritania" defined in 2.2.3 above;
- the cost of commissioning, insurance, day-to-day maintenance, financing and periodical revisions;
- storage costs;
- storage and handling costs (staffing costs and service operating costs) shall be allocated to Petroleum Costs pro rata to the exit value of the registered goods;
- transportation costs: the expenses for the transportation of personnel, material, or equipment assigned and allocated to the Petroleum Operations and which have not already been covered by the paragraphs above or which are not integrated in the cost price, shall be allocated to Petroleum Costs.

2.3.5 Damage and losses affecting common goods

All expenses which are necessary for the repair and reconditioning of goods following damage or losses as a result of fire, flooding, storms, thefts, accidents or any other cause, shall be allocated under the principles defined in this Appendix.

The sums recovered from insurance companies for those damages and losses shall be credited to the Petroleum Costs accounts.

2.3.6 Maintenance expenses

Maintenance expenses (day-to-day maintenance and heavy maintenance) of the material, equipment and facilities assigned to the Petroleum Operations shall be allocated to Petroleum Costs at their cost price.

2.3.7 Insurance premiums and costs relating to the recovery of claims The following shall be allocated to Petroleum Costs:

(A) insurance premiums and costs relating to compulsory and contractual insurance contracted to cover the Hydrocarbons extracted, the persons and assets assigned to the Petroleum Operations or to cover the Contractor's civil liability to Third Parties within the scope of said operations;

(B) expenses borne by the Contractor as a result of a claim arising in the context of Petroleum Operations, for the settlement of any loss, claim, damage and other ancillary expenses that are not covered by the insurance policy;

(C) expenses paid for the settlement of losses, claims, damages or legal actions not covered by insurance and for which the Contractor is not required to take out insurance. The amounts recovered from insurance pursuant to policies or guarantees shall be accounted for in accordance with article 2.6.2(G) below;

2.3.8 Legal expenses

The expenses pertaining to the legal costs of proceedings, enquiries and settlement of litigation and claims (demands for reimbursement or compensation) arising in the context of the Petroleum Operations or which are necessary to protect or recover the assets, including, in particular, the fees of legal advisors or experts, court fees, costs of investigating or of securing evidence, as well as the amounts paid to settle or make final payment pursuant to any litigation or claim shall be allocated to Petroleum Costs.

When such services are performed by the Contractor's staff, remuneration corresponding to the time and the costs actually incurred shall be included in the Petroleum Costs. The price so allocated shall not be greater than that which would have been paid to Third Parties for identical or similar services.

2.3.9 Interest, bank and financial charges

Any interest and bank charges paid by the Contractor for loans contracted with Third Parties or for advances and loans obtained from Affiliated Companies shall be allocated to Petroleum Costs, insofar as such advances and loans are being used to finance the Petroleum Costs only for the Petroleum Operations to develop a commercial deposit (excluding exploration and evaluation Petroleum Costs), and not exceeding seventy per cent (70%) of the total amount of such development Petroleum Costs. Such advances and loans must be submitted for Ministry approval.

If such financing is obtained from the Affiliated Companies, the admissible interest rate cannot exceed the rates normally charged on international financial markets for similar loans.

2.3.10 Exchange losses

Exchange losses linked to borrowings and debts of the Contractor under the conditions set out in the Contract shall be allocated to Petroleum Costs.

2.3.11 Payments for expenses incurred as part of inspections and audits carried out by the Ministry, in accordance with the provisions of the Contract, shall be included in the Petroleum Costs.

2.3.12 Payments for other expenses, including expenses paid to Third Parties for the transportation of Hydrocarbons to the Delivery Point shall be included in the Petroleum Costs. These are any and all payments made or losses suffered that are connected with or required for the proper performance of Petroleum Operations and for which the allocation to Petroleum Costs is not excluded by the provisions of the Contract or Appendix, provided that they cannot be understood as costs that the Ministry bars from deduction, and provided that these expenses have been approved by the Ministry. In addition, unless otherwise provided by law, the Contractor may, if it wishes, make economic, social, cultural, and athletics contributions, but absolutely may not contribute to any political financing. These contributions shall be debited from the Petroleum Costs account.

2.4 General Expenses

Those expenses relate to Petroleum Costs which have not been taken into account elsewhere. They concern:

2.4.1 Expenses paid outside Mauritania

The Contractor will add a reasonable amount as overheads spent abroad which are necessary for the realization of Petroleum Operations to be borne by the Contractor and its Affiliates, such amounts representing the cost of services performed for the benefit of such Petroleum Operations.

The amounts for these expenses must be justified by accounting documents and copies of the reports pertaining to the services and work performed; any fixed allocation must be supported by relevant explanations together with the rules applied to make the allocation.

The amounts charged will be provisional amounts determined on the basis of the experience of the Contractor and will be adjusted annually based on actual costs incurred by the Contractor, shall not, in any case, exceed the following limits:

- before the first Exploitation Authorisation is granted: three per cent (3%) of Petroleum costs excluding general expenses
- Once the first Exploitation Authorisation has been granted: one and one-half per cent (1.5%) of the Petroleum Costs excluding financial expenses and general expenses.

These percentages apply to expenses other than general expenses which are allocated as Petroleum Costs for the Calendar Year in question.

2.4.2 Expenses paid in Mauritania.

These expenses cover payments for the following activities and services:

- General management and general secretariat;
- Information and communications;
- General administration (legal services, insurance, tax services, computing services);
- Accounting and budget;
- Internal audit.

They must correspond to services actually required for the needs of the Petroleum Operations and to services actually performed in Mauritania by the Contractor or the Affiliated Companies. They must not result in multi-stage allocations of costs and profits.

The amounts for these expenses are either actual amounts when for direct expenses, or amounts resulting from allocations when for indirect expenses. In the latter case, allocation rules must be clearly defined and the amounts justified by management accounting.

2.5 Expenses Not Attributable To Petroleum Costs

Payments made in respect of costs, charges or expenses not directly attributable to the Petroleum Operations, payments which this Contract or Appendix exclude from deduction or allocation, or those not required for the needs of the said Petroleum Operations shall not be taken into account and cannot be recovered.

These are principally payments made for:

2.5.1 Capital increase costs;

2.5.2 Costs for activities conducted beyond the Delivery Point, in particular marketing costs;

2.5.3 Costs relating to the period prior to the Effective Date;

2.5.4 External auditing costs paid by the Contractor within the scope of the particular relationship between the entities that make up the Contractor;

2.5.5 Expenses borne for meetings, studies and works performed within the framework of the relationship between the entities that make up the Contractor, the purpose of which is not the satisfactory performance of Petroleum Operations;

2.5.6 Interest, and bank and financial charges other than those for which allocation is provided in the article 2.3.9 of this Appendix.

2.5.7 Exchange losses which may be incurred other than those for which allocation is permitted by the Contract.

2.5.8 Exchange losses which represent loss of earnings resulting from risks originally linked to working capital and self-financing.

2.6 Items to be credited to the Petroleum Costs Account

In particular, the following are to be credited to the Petroleum Costs Account:

2.6.1 The income from the quantities of Hydrocarbons allocated to the Contractor in accordance with the provisions of article 10.2 of the Contract, calculated on the basis of the related Market price as defined in articles 14 and 15 of the Contract.

2.6.2 All other revenue, income and related, subsidiary or ancillary profits or income directly or indirectly linked to the Petroleum Operations received by the Contractor, in particular, when arising out of:

(A) The sale of related substances;

(B) The transportation and storage of products owned by Third Parties in the facilities assigned to the Petroleum Operations;

(C) Reimbursements from insurers;

(D) Amounts paid for settlements or final judgements;

(E) Disposals or leases of assets already declared in the Petroleum Costs;

(F) Rebates, reductions and refunds obtained where they have not been allocated as deductible from the cost price of assets to which they relate;

(G) All other revenue or income similar to those listed above shall be deducted from the Petroleum Costs.

2.7 Material, Equipment and Facilities Sold By the Contractor.

2.7.1 Material, equipment, facilities and consumables that have not been or cannot be used shall be withdrawn from the Petroleum Operations and shall be either down-graded or considered as "scrap and rejects", or re-purchased by the Contractor for its own needs, or sold to Third Parties or to Affiliated Companies.

2.7.2 In case of a sale to entities making up the Contractor or their Affiliated Companies, prices shall be determined in accordance with the provisions of article 2.2.3 (B) of this Appendix or, if they are higher than those resulting from the application of the said article, shall be agreed between the Parties. When the use of the asset in question for Petroleum Operations has been temporary and does not justify the price reductions set out in the abovementioned article, the asset shall be valued so that a net charge corresponding to the value of the service provided is deducted from the Petroleum Costs.

2.7.3 Material, equipment, facilities and consumables sold by the Contractor to Third Parties shall be sold at the best price possible. All reimbursement or compensation granted to a purchaser for defective material shall be debited from the Petroleum Costs account to the extent that and at the time they are actually paid by the Contractor.

2.7.4 When an asset is utilised for the benefit of a Third Party or of the Contractor for operations not covered by the Contract, the corresponding royalties shall be calculated at rates which, save with Ministry approval, cannot be calculated on a basis which is less than the cost price.

2.8 Revenue, income and related, subsidiary or ancillary profits or income directly or indirectly linked to the Petroleum Operations, in particular, when arising out of:

ARTICLE 3 : CALCULATION OF THE RATIO "R"

3.1 For the purpose of calculating the ratio "R" for the application of article 10.3 of the Contract, the Petroleum Costs falling within the scope of the calculation of the Net Cumulated Income and Cumulated Investments shall be categorised and recorded separately under the following categories.

3.2 Exploration Petroleum Costs

These are the Petroleum Costs relating to the Petroleum Operations carried out for exploration purposes within an Exploration Perimeter incurred pursuant to the provisions of the Contract, including but not limited to the following:

3.2.1 Geophysical, geochemical, paleontological, geological, topographical and seismic surveys together with all related surveys and their interpretations;

3.2.2 Core drilling, exploration wells, appraisal wells and water wells;

3.2.3 Cost of labour, equipment, supplies and services pertaining to the drilling of exploration wells or wells drilled to appraise a discovery that do not become producing wells;

3.2.4 Equipment used exclusively for the purposes set out in articles 3.2.1, 3.2.2 and 3.2.3 above, including access roads and the geological and geophysical information acquired;

3.2.5 The share of the Petroleum Costs for the construction of facilities and installations, general expenses covered by the Exploration Petroleum Costs as calculated for the fair allocation of all of the Petroleum Costs (including general expenses) between the Exploration Petroleum Costs and all of the Petroleum Costs excluding general expenses;

3.2.6 All other Petroleum Costs incurred for exploration purposes between the Effective Date and the date of commencement of the production of commercially viable Hydrocarbons not included in article 3.3 below.

3.3 Development Petroleum Costs

These are the Petroleum Costs incurred with respect to the Petroleum Operations carried out for development purposes relating to an Exploitation Authorization, including but not limited to the following:

3.3.1 Development and production drilling, including wells drilled to inject water or gas with a view to increasing the rate of recovery of Hydrocarbons and those intended for the conservation and storage of gas;

3.3.2 Wells completed by the installation of casing or equipment after a well has been drilled for the purpose of completing it as a producing well or a well for injecting

water or gas with a view to increasing the rate of recovery of Hydrocarbons and those intended for the conservation and storage of gas;

3.3.3 Equipment costs relating to production, transportation and storage upstream of the Delivery Point, such as pipelines, flow-lines, treatment and production units, equipment at the wellhead, underwater equipment, stimulated recovery systems, offshore platforms, floating production units and/or floating production and storage units (FPO and FPSO), storage units, export terminals, port facilities and related installations and access roads relating to production activities;

3.3.4 Engineering and design studies relating to the equipment listed in article 3.3.3;

3.3.5 The portion of the construction Costs and general expenses covered by the Development Petroleum Costs, as shown by the proportion of the Development Petroleum Costs as compared to the total Petroleum Costs without general expenses;

3.3.6 Financial fees relating to the financing of the Development Petroleum Costs are excluded.

3.4 Exploitation Petroleum Costs

These are the Petroleum Costs incurred in an Exploitation Perimeter after the commencement date of the production of commercially viable Hydrocarbons that are not Exploration Petroleum Costs, Development Petroleum Costs or general expenses.

The Exploitation Petroleum Costs include but are not limited to the provisions paid to cover losses or expenses including the provision for the Program of Rehabilitation, which was paid in full into the receiver account established to finance the rehabilitation of the site pursuant to article 23.2 of the Contract.

The portion of the general expenses not allocated to Exploration Petroleum Costs or Development Petroleum Costs shall be included in the Exploitation Petroleum Costs.

3.5 All depreciation of fixed assets carried out for the calculation of the taxable profit pursuant to the provisions of article 4 below shall not be treated as Petroleum Costs and accordingly shall not be included in the calculation of the Ratio "R".

ARTICLE 4 : DEDUCTIBLE EXPENSES FOR THE CALCULATION OF THE TAX ON INDUSTRIAL AND COMMERCIAL PROFITS

4.1 Deductible expenses

Pursuant to Article 70 of the Crude Hydrocarbons Code, subject to the limits set out in this Accounting Procedure and excluding the non-deductible expenses listed in Title VI of the Crude Hydrocarbons Code and those expenses that are not deductible from the Petroleum Costs listed in article 2.5 above of this Appendix, the deductible expenses for the calculation of the tax on industrial and commercial profits shall consist in the following items:

- the Exploitation Petroleum Costs, as defined in accordance with the provisions of this Accounting Procedure;
- general expenses, pursuant to the provisions of article 2.4 above of this Appendix;
- depreciation on the fixed assets comprising the Development Petroleum Costs, pursuant to the provisions of article 4.2 below;
- interest, bank charges and financial fees, pursuant to the provisions of article 2.3.9 above;
- losses of equipment or materials resulting from destruction or damage, unrecoverable debts and compensation paid to third parties for losses (save where such losses have been caused by the actions or failure to act of the Contractor);

- reasonable and justified provisions paid against specifically defined losses or expenses and made likely by current events;
- the unaudited amount of losses relating to previous years up to a limit of five (5) years following the year in which the losses were made.

4.2 Depreciation of fixed assets

Fixed assets constructed by the Contractor and required for the Petroleum Operations shall be depreciated using the straight-line depreciation method.

The minimum term of depreciation of the fixed assets shall be:

- ten (10) Calendar Years for fixed assets comprising the pipeline for the transportation of Hydrocarbons;
- five (5) Calendar Years for all other fixed assets.

The depreciation period shall commence in the Calendar Year during which the fixed assets are constructed or in the year in which the fixed assets first enter normal service, if later, and on a pro rata basis for the first Calendar Year.

4.3 Exploration Petroleum Costs

The Exploration Petroleum Costs incurred by the Contractor within the Exploration Perimeter, including, in particular, geological and geophysical survey expenses and expenses pertaining to exploration well drilling and the evaluation of discoveries (with the exception of productive wells, which shall be recorded as fixed assets pursuant to the provisions of article 4.2 above of this Appendix), shall be treated as deductible expenses in their entirety from the first year in which they are incurred or may be depreciated using the depreciation method selected by the Contractor.

ARTICLE 5 : INVENTORIES

5.1 Frequency

The Contractor shall keep a permanent inventory of all materials used in the Petroleum Operations both in quantity and value and shall proceed at reasonable intervals, at least once a year, with such physical inventories as may be required by the Parties.

5.2 Notices

A written notice of intent to conduct a physical inventory shall be sent by the Contractor at least ninety (90) days before the commencement of said inventory, such that the Ministry and the entities constituting the Contractor may be represented, at their expense, during the inventory operations.

5.3 Information

In the event that the Ministry or any entity constituting the Contractor is not represented during an inventory, said Party shall be bound by the inventory established by the Contractor, which shall then furnish to such Party a copy of said inventory.

ARTICLE 6 : AUDIT REPORTS ON WORKS CARRIED OUT – STATEMENTS - ACCOUNTS.

6.1 Principles

In addition to the statements and information to be supplied as provided elsewhere, the Contractor shall furnish the Ministry, under the conditions, in the format and within the timeframes set out below, with details of the operations and works carried out, as recorded in

the accounts, documents, reports and statements kept or established by the Contractor and relating to the Petroleum Operations.

6.2 Report on variations of investment accounts and stocks of equipment and consumable materials

This report must reach the Ministry no later than the fifteenth (15th) day of the first month of each Quarter.

It shall contain, inter alia, details of the acquisitions and creations of fixed assets, equipment and consumable materials necessary to the Petroleum Operations, per field and per large categories, as well as the withdrawals of these goods (assignment, loss, destruction, removal from service) for the previous Quarter.

6.3 Report on quantities of Crude Oil and Natural Gas transported each month

This report must reach the Ministry no later than the fifteenth (15th) day of each month.

It shall indicate, per field, the quantities of Crude Oil and Natural Gas that were transported during the previous month between the field and the point of export or delivery and shall identify the pipelines used and transportation costs paid when transportation was provided by a Third Party. It shall also indicate the allocation between the Parties of the products transported.

6.4 Report on the recovery of Petroleum Costs

This report must reach the Ministry no later than the fifteenth (15th) day of each month.

It shall present the breakdown of the Petroleum Costs account for the previous month and show, in particular:

- The Petroleum Costs remaining to be recovered at the end of the previous month;
- The Petroleum Costs pertaining to the activities of the month;
- The Petroleum Costs recovered over the month, indicating the quantity and value of the production taken off for such purpose;
- The amounts received from the attenuation or reduction of the Petroleum Costs during the month;
- The Petroleum Costs remaining to be recovered at the end of the month.

6.5 Ratio "R" calculation report

This report must reach the Ministry no later than the fifteenth (15th) day of the first month of each Quarter.

It shall indicate all items used to calculate the ratio "R", as defined in Article 6 of the Accounting Procedure, and the resulting value of the relationship that will be applicable to the Quarter in question.

6.6 Inventory of Crude Oil and Natural Gas stocks.

This report must reach the Ministry no later than the fifteenth (15th) day of each month. It shall indicate, for the previous month and per storage facility:

- Stocks at the beginning of the month;
- Additions to stocks during the month;
- Withdrawals from stocks during the month;
- Theoretical stocks at the end of the month;
- Measured stocks at the end of the month;
- Explanations for any discrepancies.

6.7 Tax returns.

The Contractor shall submit to the Ministry a copy of all returns that the entities constituting the Contractor must file with the tax authorities in charge of taxable income, especially those related to tax on industrial and commercial profits, along with all appendices, documents and supporting instruments appended thereto.

6.8 Statement on the payment of fees and taxes.

By the fifteenth (15th) of the first month of each Quarter at the latest, the Contractor shall draw up and submit to the Ministry a statement of the payment of all fees, duties and taxes made during the previous Quarter, indicating the precise nature of said fees, duties and taxes (surface fees, customs duties, etc.), the type of payment (deposit, balance, adjustment, etc.), the date and amount of the payment, the name of the party responsible for collecting the funds and all other useful information.

6.9 Specific provisions

The statements, reports and information described in articles 6.2 to 6.8 above shall be established and submitted using the model forms issued by the Ministry, in consultation with the Contractor.

The Ministry may, as necessary, request that the Contractor submit any other statement, report or information it may deem necessary.

APPENDIX 3 : MODEL FORM BANK GUARANTEE

Appended as an integral part of the Contract made between the Islamic Republic of Mauritania and the Contractor.

(On the bank's headed stationery)

PERFORMANCE BANK GUARANTEE

Islamic Republic of Mauritania Ministry of [___] Minister for Crude Hydrocarbons Nouakchott
Mauritania

Performance bank guarantee no.: -------- Maximum Amount: ----------

In letters: ----------

Currency of payment: ----------

We have been informed that on ---------- the Islamic State of Mauritania (the "**State**") concluded an exploration production Contract with the Contractor made up of the following entities:

---------- (the "**Contractor**")

The company ----------, address,----------is the principal and is hereinafter referred to as such.

Pursuant to Article (*4.1, 4.2 or 4.3, depending on whether this is the 1st, 2nd or 3rd phase of the Exploration Period)* of this Contract, a bank guarantee for the satisfactory performance (the "**Guarantee**") of the minimum work commitments must be provided to the State.

Accordingly, we (bank name ---------- address ----------), hereinafter referred to as the **"Bank"**, hereby irrevocably undertake to pay the State, irrespective of the validity or legal effects of the Contract in question and without any possibility of relying upon any exception or objection deriving from said contract, on your first demand, any amount up to the above-mentioned Maximum Amount stated in this letter of guarantee within seven (7) working days ("**working day**" being a day (other than Saturday or Sunday) when the banks in London, Paris and New York are open) from receipt of a duly signed demand for payment in the form of the schedule to this Guarantee.

Your demand for payment must be addressed to us by registered post or by another express courier method to the following address [*insert address*]. For identification purposes, your written demand for payment will only be considered as valid if it is sent to us via our correspondent bank in Mauritania (name, address;) (the "**Correspondent Bank**"), together with a statement from said bank certifying that it has authenticated your signature.

Your demand will equally be accepted if it is sent in its entirety by the Correspondent Bank via

authenticated SWIFT MT799 addressed to our address SWIFT [*xxxx*] confirming that it has sent us the original by registered post or by another express courier method and that the signature made thereupon has been authenticated.

It is expressly specified that the role of the Correspondent Bank is limited to the verification of the signature on the demand of payment and to its transmission to the Bank.

Our guarantee is valid until ---------- (the "**Expiry Date**") *(6 months after the end of the relevant Exploration Period phase)* and shall expire automatically and in its entirety if your demand for payment or authenticated SWIFT MT799 does not reach us at the above address by this date at the latest, irrespective of whether such date is a business day or otherwise.

The rights of the State under this Guarantee may be transferred. Any transfer will only be effective as from the date on which it has been served on us by a bailiff. All bank charges related to this Guarantee shall be borne by the Applicant.

This Guarantee is subject to the Uniform Rules for Demand Guarantees of the International Chamber of Commerce (ICC Publication No. 758).

This Guarantee is governed by English law. The English courts shall have exclusive jurisdiction to settle all litigation resulting from this Guarantee.

- Signature of the authorized representative and Bank seal

Schedule Form of Demand

From: The Minister in charge of Crude Hydrocarbons Nouakchott
Mauritania

To: [ ]
[*Address*]

[*Dated*]

Dear Sir and/or Madam,

Your Performance Guarantee No. [ ] dated [ ] issued in favour of the Islamic Republic of Mauritania - the Minister in charge of Crude Hydrocarbons (the "Guarantee")

We refer to the Guarantee. Terms defined in the Guarantee have the same meaning when used in this demand.

1. We certify that:

(i) the Contractor Applicant is in breach of its minimum work obligations under the Contract; and

(ii) the type and estimated cost of the work that have not been carried out under the Contract are as follows: [*insert brief description*].

2. We therefore demand payment of the sum of [ ].

3. Payment should be made in accordance with the terms of the Guarantee to the following account:

Name:

Account Number:

Bank:

4. The date of this demand is not later than the Expiry Date.

Yours faithfully

…… authorised signatory for
The Minister in charge of Crude Hydrocarbons

Exhibit 10.43

EXECUTION VERSION

Dated __23 October__ 2017

Share Sale and Purchase Agreement

relating to the sale and purchase of
shares in Hess International Petroleum, Inc.

between

HESS EQUATORIAL GUINEA INVESTMENTS LIMITED

as Seller

and

HESS CORPORATION

as Seller Guarantor

and

KOSMOS ENERGY EQUATORIAL GUINEA

as Kosmos

and

KOSMOS ENERGY OPERATING

as Kosmos Guarantor

and

TRIDENT ENERGY E.G. OPERATIONS, LTD.

as Trident

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This agreement is made on__2017 (the "**Agreement**")

Between:

(1) **HESS EQUATORIAL GUINEA INVESTMENTS LIMITED**, an exempted company incorporated with limited liability under the laws of the Cayman Islands, with company number 219960, and having its registered office at Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, PO Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands (the "**Seller**");

(2) **HESS CORPORATION**, a company incorporated under the laws of the State of Delaware, and having its principal place of business at 1185 Avenue of the Americas, New York, New York 10036, USA (the "**Seller Guarantor**");

(3) **KOSMOS ENERGY EQUATORIAL GUINEA**, a company incorporated in the Cayman Islands, with company number 269135 and having its registered office at Fourth Floor, Century Yard, Cricket Square, Elgin Avenue, P.O. Box 32322, George Town, KY1-1209, Grand Cayman, Cayman Islands ("**Kosmos**");

(4) **KOSMOS ENERGY OPERATING**, a company incorporated in Cayman Islands, with company number 231417 and having its registered office at Fourth Floor, Century Yard, Cricket Square, Elgin Avenue, P.O. Box 32322, George Town, KY1-1209, Grand Cayman,
Cayman Islands ("**Kosmos Guarantor**"); and

(5) **TRIDENT ENERGY E.G. OPERATIONS, LTD.,** a company incorporated in the Cayman Islands, with company number 326264 and having its registered office at c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands ("**Trident**"),

(together referred to as the "**Parties**", and each individually as a "**Party**").

Whereas:

(A) The Seller has agreed to sell the Shares (as defined below), and the Purchasers (as defined below) have each agreed to purchase and pay for fifty percent (50%) of the Shares, in each case, on the terms of this Agreement.

(B) Particulars of the Company and its Subsidiary are set out in Part 1 of Schedule 1 (*Details of the Company*) and Part 2 of Schedule 1 (*Details of the Subsidiary*).

(C) The Seller Guarantor has agreed to guarantee the obligations of the Seller on the terms and subject to the conditions of this Agreement and to give the warranties in Clause 26.15.

(D) The Kosmos Guarantor has agreed to guarantee the obligations of Kosmos to pay the Consideration payable by Kosmos under and in accordance with this Agreement and to give the warranties in Clause 26.14.

(E) Certain investment funds affiliated with Warburg Pincus LLC have on the Execution Date provided an equity commitment letter in favour of each of Trident and the Seller in respect of the obligations of Trident to pay the Consideration payable by Trident under and in accordance with this Agreement.

Now it is hereby agreed as follows:

1. Interpretation

1.1 In this Agreement and the Schedules to it:

"**ABC Warranties**" means the warranties from the Seller set out in Clause 16;

"**Accounts**" means the unaudited financial statements of the Group Companies for the accounting reference period that ends on 31 December 2016, such financial statement comprising, in each case, a balance sheet and a profit and loss account statement;

"**Adjustments**" means the adjustments to the Initial Consideration prior to Completion as described in Clause 4.3 (*Consideration*) and subsequent adjustments to the Initial Adjusted Consideration following Completion as described in Clause 4.4 (*Consideration*);

"**Affiliate**" means, in relation to a Party, any subsidiary or subsidiary undertaking or holding company of that Party and any subsidiary or subsidiary undertakings of that holding company, which in the case of Trident shall (i) include any investment fund affiliated with Warburg Pincus LLC and any general partner, trustee, nominee, manager or adviser of or to any such investment fund and (ii) exclude any portfolio company of any investment fund affiliated with Warburg Pincus LLC;

"**Affiliate Contract**" means the contracts, agreements or arrangements between any Group Company and any member of the Retained Group listed in Schedule 7;

"**Anti-Bribery Laws**" means in each case: (i) the UK Bribery Act 2010 (as amended); (ii) the U.S. Foreign Corrupt Practices Act of 1977 (as amended); (iii) any other applicable law, rule or regulation of similar purpose and scope of the Republic of Equatorial Guinea; and (iv) for each Party, the laws prohibiting bribery and corruption in the countries of such Party's place of incorporation, principal place of business, or place of registration as an issuer of securities, or in the countries of such Party's ultimate parent entity's place of incorporation, principal place of business, or place of registration as an issuer of securities. For purposes of this Agreement, the laws described above will be treated as though they apply to each Party, its Affiliates, its Associated Persons, directors, officers, employees, agents or consultants;

"**Arbitration**" has the meaning given in Clause 34.3 (*Governing law and jurisdiction*);

"**Assets Documents**" means all deeds, contracts, permits, instruments, notices and other documents to the extent affecting or otherwise pertaining to a Licence Area or a Group Company (including its assets or operations), as any of the same may have been or may be assigned, amended, modified, varied, replaced or novated from time to time;

"**Associated Person**" means, in relation to a company, a person who performs or has performed services for or on that company's behalf;

"**Assurance**" means any warranty, representation, statement, assurance, covenant, agreement, undertaking, indemnity, guarantee or commitment of any nature whatsoever;

"**Books and Records**" includes, without limitation, all notices, correspondence, orders, inquiries, drawings, plans, Tax Records, books of account and other documents and all computer disks or tapes or other machine legible programs or other records (excluding software);

"**Business**" means the business of the Group Companies comprising activities related to oil and gas exploration, development, production and transportation as carried out by the Group Companies at the Execution Date;

"**Business Day**" means a day (other than a Saturday or a Sunday or a public holiday) on which commercial banks are open for business in London, New York and Dallas, Texas;

"**Claim**" means any claim made by one or more Purchaser under this Agreement (excluding any claim made under or pursuant to Clauses 4.6 (*Consideration*), 5 (*Pre-Completion*

Obligations), 6.3 to 6.7 (*Final Statements of Account*) or 7 (*Leakage*)) and "**Claims**" shall mean all such claims;

"**Companies Act**" means the Companies Act 2006 as enacted by the Parliament of the United Kingdom;

"**Company**" means Hess International Petroleum, Inc., a company incorporated in the Cayman Islands, with company number 55991 and having its registered office at Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, PO Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands, further details of which are set out in Part 1 of Schedule 1 (*Details of the Company*);

"**Completion**" means completion of the sale and purchase of the Shares under this Agreement;

"**Completion Date**" means the later of:

(a) thirty days after (and excluding) the Execution Date; and

(b) ten (10) Business Days after (and excluding) the day on which the Condition has been satisfied or waived in accordance with this Agreement,

or such other date as the Seller and the Purchasers agree in writing; "**Condition**" has the meaning given in Clause 3.1

(*Condition*);

"**Confidentiality Agreement**" means, collectively, the confidentiality agreement between the Seller and Kosmos Energy Ventures dated 20 March 2017; and the confidentiality agreement between the Seller and Trident Energy Management Limited dated 3 April 2017;

"**Consideration**" means the total consideration payable for the Shares as set out in Clause 4 (*Consideration*) of this Agreement;

"**Continuing Provisions**" means Clause 1 (*Interpretation*), Clause 22 (*Assignment*), Clause 23 (*Entire agreement*), Clause 24 (*Notices*), Clause 25 (*Announcements*), Clause 26 (*Confidentiality*), Clause 28 (*Costs and expenses*), Clause 30 (*Severance and validity*), Clause 31 (*Variations*), Clause 32 (*Remedies and waivers*), Clause 33 (*Third party rights*), Clause 34 (*Governing law and jurisdiction*) and Clause 35 (*Agent for service of process*), all of which shall continue to apply after the termination of this Agreement pursuant to Clause
3.6 (*Condition*) or Clause 8.3(c) (*Completion*) without limit in time;

"**Data Room Documents**" means the documents and data (including correspondence, electronic files, software and information) made available in a physical and/or virtual data room by or on behalf the Seller and/or any other member of the Retained Group and/or any Group Company for inspection by or on behalf of one or more Purchaser and/or any member of the Kosmos Group or the Trident Group (and/or any of their Representatives) in relation to or connected with the Company, its Subsidiary and/or the PSC Licence and/or the JOA: (i) as contained on one or more hard disk drives or CDs initialled on behalf of the Seller and the Purchasers and delivered to the Purchasers on or before the date of this Agreement or in the case of the Updated Disclosure Letter, five (5) days prior to the Completion Date; or (ii) if not contained on such hard disk drives or CDs, as annexed to the Disclosure Letter or Updated Disclosure Letter, as applicable;

"Debt" means, as of any date, any indebtedness outstanding, secured or unsecured, contingent or otherwise, which is for borrowed money including all principal, interest, premiums, fees, expenses, overdrafts and penalties with respect thereto, or evidenced by

bonds, notes, debentures or similar instruments or representing the balance deferred and unpaid of the purchase price of any property or service, and shall also include:

(a) all obligations for the reimbursement of any obligation or on any letter of credit, banker's acceptance or similar credit transaction;

(b) obligations under any swap, hedge or similar protection device; and

(c) any other obligations, contingent or otherwise, that, in accordance with US GAAP, should be classified upon the balance sheet as indebtedness;

"**Designated Person**" means a person or entity:

(a) listed in the index to, or otherwise subject to the provisions of, the Executive Order;

(b) named as a "*Specially Designated National and Blocked Person*" ("**SDN**") on the most current list published by OFAC at its official website or any replacement website or other replacement official publication of such list;

(c) in which an entity on the SDN list has 50% or greater ownership interest or that is otherwise controlled by an SDN; or

(d) with which the Seller or any member of the Retained Group is prohibited from dealing or otherwise engaging in any transaction by any Sanctions Laws and Regulations;

"**Disclosed**" means fairly disclosed to the Purchasers and/or any member of the Kosmos Group or the Trident Group (and/or any of their Representatives) by or on behalf of the Seller and/or any other member of the Retained Group and/or any Group Company:

(a) in the Disclosure Letter; and/or

(b) in the Updated Disclosure Letter, as applicable; and/or

(c) in the Data Room Documents;

"**Disclosure Letter**" means the disclosure letter in the agreed form and dated as of the date of this Agreement, addressed by the Seller to the Purchasers and delivered to the Purchasers before the execution of this Agreement;

"**Dispute**" has the meaning given in Clause 34.2 (*Governing law and jurisdiction*); "**Documents**" has the meaning given in

Clause 10.2(b);

"**Due Diligence**" means the investigation into and the assessment of the affairs of the Group Companies carried out by or on behalf of a Purchaser and/or any member of the Purchaser's Group (and/or their respective Representatives) prior to the date of this Agreement, including the review and evaluation of all information, data, materials and other documentation (whether in electronic or hard copy format) which was Disclosed (whether in electronic or hard copy format, on-line or pursuant to presentations) to the Purchaser and/or any member of the Purchaser's Group (and/or any of their respective Representatives) prior to the date of this Agreement;

"**Economic Date**" means 1 January 2017;

"**Encumbrance**" means any claim, pledge, charge, option, lien (other than liens arising by operation of law in the ordinary course of trading), assignment, mortgage, debenture, hypothecation, security interest, title retention, obligation to purchase an interest, pre-emption right or other rights of any third persons, or any agreement to create any of the above;

"**EG Government**" means the government of Equatorial Guinea;

"**Environment**" means living organisms including the ecological systems of which they form part and the following media: air (including air within natural or man-made structures, whether above or below ground); water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); land (including land under water); soil and land and any ecological systems and living organisms supported by these media;

"**Environmental**" means relating to the Environment;

"**Environmental Indemnity Claim**" means any claim made by a Purchaser under Clause 13.2;

"**Environmental Law**" means all laws, international treaties, national, federal, provincial, state or local statutes or regulations (including by-laws and other subordinate legislation), the common law, and any codes and conventions of law (having legal effect) as amended from time to time to which any member of the Retained Group or the Group Companies is subject and any obligations owed thereunder or rules in respect thereof, from time to time, in any relevant jurisdiction (including any guidelines, notes for industry and decommissioning programmes in effect from time to time, in each case having legally binding effect) concerning harm or damage to or protection of the Environment or the provision of remedies in respect of or compensation for harm or damage to the Environment, worker or public health and safety, pollution or decommissioning, abandonment, removing or making safe any property (including platforms, pipelines, plant, machinery, wells (including well and drill cuttings), facilities and all other offshore and onshore installations and structures);

"**Environmental Liabilities**" means any claims, demands, actions, proceedings, costs, charges, expenses, losses, liabilities or obligations incurred in relation to or arising out of any breach of Environmental Law, arising in connection with any of the assets of the Group Companies, including in relation to cleaning up, decontamination of, removing and disposing of debris or any property (including platforms, pipelines, plant, machinery, wells (including well cuttings), facilities and all other offshore and onshore installations and structures) reinstating any area of land, foreshore or seabed, wherever situated; and including any residual liability for anticipated or necessary continuing insurance, maintenance and monitoring costs, and in all cases irrespective of when such claims, costs, charges, expenses, liabilities or obligations are or were incurred and regardless in each case of any breach of obligation or negligence on the part of any of member of the Retained Group or any Group Company;

"**Environmental Warranties**" means the warranties listed in Clauses 10.2(jj) to 10.2(ll); "**Excluded Matters**" means any one

or more of the following:

(a) any country-wide, regional, or industry-wide or other international changes in the social, political, industrial, market, financial or economic conditions in which the Group Companies operate or in which the products of the Group Companies are used or distributed (including changes in energy, electricity or other operating costs);

(b) any changes in stock markets, commodity prices, currency, exchange rates or interest rates;

(c) any natural decline in the well production levels, reserves or resources of any of the Group Companies or any reclassification or recalculation of reserves, but in each case excluding a material adverse impact on the reserves or production levels that results from an extraordinary or catastrophic operational incident, blow-out, or similar adverse physical event;

(d) any change in laws, regulations or accounting practices, or the enforcement or interpretation thereof, applicable to the Group Companies;

(e) storms, floods, tornadoes, earthquakes or any other natural disaster (but excluding such event to the extent that it has a material adverse impact on production, reserves or resources of any of the Group Companies);

(f) any hostilities, acts of war, sabotage, terrorism or military action, other than any such event in or relating to the jurisdiction in which the Group Companies operate; or

(g) drilling, completion or production results for a Group Company obtained as a result of activities by or on behalf of a Group Company conducted in accordance with the relevant Interest Documents and in the Ordinary Course of Business;

"**Execution Date**" means the date this Agreement is executed by both the Seller and the Purchasers;

"**Executive Order**" means the US presidential Executive Order No. 13224 of 23 September 2001, entitled Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism or any other order which superseded or amended the Executive Order No. 13224;

"**Final Adjusted Consideration**" means the Initial Adjusted Consideration adjusted by the Final Statement of Accounts and any applicable interest, in accordance with Clauses 4.4 and
6.6 and Schedule 5 (*Final Statement of Accounts*);

"**Final Settlement Amount**" means the difference between the Initial Consideration and the Final Adjusted Consideration;

"Final Statement of Accounts" means a Final Statement of Accounts in the form set out in Part 2 of Schedule 5 (Final Statement of Accounts);

"Final Statement of Accounts Date" means the date on which the Seller delivers the Final Statement of Accounts to the Purchasers in accordance with Clause 6.1 (*Final statements of accounts*);

"**Good and Prudent Oilfield Practice**" means the exercise of that degree of skill, diligence, prudence and foresight that would reasonably and ordinarily be expected to be applied by a skilled and experienced person engaged in the upstream oil and gas industry;

"**Government Official**" means (i) any official, employee, agent, advisor or consultant employed by or acting on behalf of a government or any federal, regional or local department, agency, state-owned or state-operated enterprise or corporation or any other instrumentality thereof, (ii) any official or employee or agent of a public international organisation designated by Executive Order pursuant to 22 U.S.C. § 288 or as defined in Section 6(6) of the UK Bribery Act 2010 (as amended), or (iii) any official or employee or agent of a political party or candidate for political office;

"**Governmental or Regulatory Authority**" means any court, tribunal, arbitrator, legislature, government, ministry, committee, inspectorate, authority, agency, commission, official or other competent authority of any country or any state, as well as any region, city or other political subdivision of any of the foregoing;

"**Group**" means the Kosmos Group or the Trident Group, as the context requires;

"**Group Companies**" means the Company and the Subsidiary and a "**Group Company**" means any of them;

"**Guaranteed Obligations**" has the meaning given in Clause 26.1; "**Interest Documents**" means:

(a) the PSC Licence; and

(b) each JOA;

"**Initial Adjusted Consideration**" means the Initial Consideration due and payable at Completion, as calculated in the Initial Statement of Accounts, having been adjusted in accordance with Clause 4.3 (*Consideration*);

"**Initial Consideration**" has the meaning given in Clause 4.1 (*Consideration*);

"**Initial Statement of Accounts**" means an Initial Statement of Accounts in the form set out in Part 1 of Schedule 5 (*Statement of Accounts*);

"**JOA**" means:

(a) First Restated Joint Operating Agreement between Triton Equatorial Guinea, Inc. and Energy Africa Equatorial Guinea Limited dated 1 June 1999 and restated as of 1 January 2000 for operations in Block G offshore Equatorial Guinea; and

(b) Joint Operating Agreement for Field Development and Production between the Entities Constituting Part of Contractor (as defined therein) in the Field (as defined in the PSC Licence), which at the time of signature were Triton Equatorial Guinea, Inc. and Energy Africa Equatorial Guinea Limited, and/or their respective successors and assigns, which may include the Republic of Equatorial Guinea, effective as of the Effective Date for each Field, being the approval date of the Development Plan (as defined in the PSC Licence) for each such Field under the terms of the PSC Licence.

"**Kosmos Designated Account**" means the USD bank account the details of which shall be notified to the Seller by Kosmos at least five (5) Business Days prior to the due date of the relevant payment;

"**Kosmos Guarantee**" has the meaning given in Clause 26.1; "**Kosmos Guarantor**" means Kosmos Energy Operating;

"**Kosmos Group**" means Kosmos and all its subsidiary undertakings, all its holding companies and all other subsidiary undertakings of each of its holding companies and "**Kosmos Group Company**" shall mean any one of them;

"**LCIA**" has the meaning given in Clause 34.2 (*Governing law and jurisdiction*); "**Leakage**" has the meaning given in Clause

7.1 (*Leakage*);

"**Licence Areas**" means the areas on which oil and gas exploration, development and/or production are authorised pursuant to the PSC Licence;

"**Long Stop Date**" means 31 December 2017 or such other date as the Parties may agree in writing;

"**Loss**" or "**Losses**" means all losses, liabilities, actions and claims, including charges, costs, damages, fines, penalties, interest and all legal and other professional fees and expenses, including, in each case, all related Taxes;

"**MAC Event**" means any change in the physical condition of the assets of the Group Companies, the Business, the financial condition or the operations of any of the Group

Companies occurring from the date of this Agreement that results in or has resulted in a Material Effect, provided that under no circumstances shall a MAC Event result in any way from an Excluded Matter;

"**Maintained Affiliate Contracts**" has the meaning given in Clause 9.3 (*Post-Completion Covenants*);

"**Marketing Services Agreement**" means the marketing services agreement dated 15 December 2016 between Hess International Sales LLC and the Subsidiary;

"**Material Contract**" means a contract, agreement, arrangement, guarantee or indemnity to which a Group Company is a party, from which a Group Company benefits or which imposes obligations on a Group Company, in each case which (a) involves payments or receipts by a Group Company of more than USD 1 million over its term; (b) involves the giving of a guarantee or indemnity by a Group Company which could reasonably be expected to result in a payment of more than USD 1 million; or (c) is not on arm's length terms;

"**Material Effect**" means:

(a) Losses suffered or incurred by the Group Companies exceeding, in the aggregate, an amount equal to 20% of the Initial Consideration; or

(b) a diminution in value of the Shares, in aggregate, in an amount exceeding 20% of the Initial Consideration;

"**MMH Inspection**" means the MMH inspection and related matters referred to in specific disclosure (a) set out in the

Disclosure Letter;

"**OFAC**" means the U.S. Department of the Treasury Office of Foreign Assets Control;

"Ordinary Course of Business" means the activities of the Group Companies that are taken in the course of the normal day-to-day operations of the Group Companies, consistent with:

(a) applicable law and regulations;

(b) Good and Prudent Oilfield Practices; and

(c) their by-laws or articles of association;

"**Permitted Dividend**" means any and all distributions of paid in capital or retained earnings, including decapitalisations or dividends paid by the Company to the Seller made after the Economic Date until (and including) the Completion Date, provided that such dividend can be satisfied in cash which is available to the Company from its existing cash resources at the date of payment; and the payment otherwise complies with applicable law;

"**Permitted Encumbrances"** means liens, charges, mortgages, pledges, encumbrances, security interests (whether legal or equitable), production payments, carried interests, overrides, rights of set off or other burdens, in each case, arising under or otherwise resulting by operation of law;

"**Permitted Equity Contribution**" means any contribution of an equity nature paid to a Group Company by the Seller or on its behalf, in each case in whatever form insofar as such contribution is paid after the Economic Date until (and including) the Completion Date but not including any contribution of an equity nature paid by or on behalf of the Seller to a Group Company, or by the Company to the Subsidiary, in connection with the satisfaction of the Condition;

"**Permitted Leakage**" means costs reasonably and properly incurred in accordance with

previous business practice and in the Ordinary Course of Business by the Group Companies on a cash basis of accounting after the Economic Date until (and including) the Completion Date pursuant to Affiliate Contracts, and provided that where Permitted Leakage falls under paragraph 4 of Schedule 7, such aggregate amount shall not exceed USD 15 million;

"**PSC Licence**" means the production sharing contract entered into between the Republic of Equatorial Guinea (represented by the Ministry of Mines and Energy) and Triton Equatorial Guinea, Inc. for Block G on 26 March 1997, as amended from time to time;

"**Purchasers**" means both of Kosmos and Trident and "**Purchaser**" means either one of them;

"**Purchaser's Warranties**" means the warranties referred to in Clause 12 (*Purchasers' warranties and undertakings*);

"**Reasonably Endeavour**" means the taking by a Party of action in accordance with Good and Prudent Oilfield Practice and reasonable commercial practice as applied to the particular matter in question, provided, however, that such action shall not include the incurring of any unreasonable expense;

"**Reference Interest Rate**" means three (3) percentage points per annum; "**Related Persons**" has the meaning given in Clause

23.4 (*Entire agreement*);

"**Representatives**" means, in relation to a person, its directors, officers, employees, external legal advisers, accountants, consultants, financial advisers and bankers;

"**Retained Group**" means the Seller, its subsidiaries and subsidiary undertakings from time to time, any holding company of the Seller and all other subsidiaries or subsidiary undertakings of any such holding company, in each case as defined in the Companies Act and including, for the avoidance of doubt, Hess Corporation and its subsidiaries but excluding the Group Companies after the Completion Date;

"**Rules**" has the meaning given in Clause 34.2 (*Governing law and jurisdiction*);

"**Sanctions Laws and Regulations**" means (i) any sanctions or requirements imposed by, or based upon the obligations or authorities set forth in, the Executive Order, the USA Patriot Act of 2001, the Iran Threat Reduction and Syria Human Rights Act of 2012, the U.S. International Emergency Economic Powers Act (50 U.S.C. §§ 1701 et seq.), the U.S. Trading with the Enemy Act (50 U.S.C. App. §§ 1 et seq.), the U.S. United Nations Participation Act, the U.S. Syria Accountability and Lebanese Sovereignty Act, the U.S. Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, the Iran Sanctions Act, or Section 1245 of the National Defense Authorization Act of 2012, all as amended, or any of the foreign assets control regulations (including but not limited to 31 C.F.R., Subtitle B, Chapter V, as amended) or any other law or executive order relating thereto administered by OFAC, and any similar law, regulation, or Executive Order enacted in the United States after the date of this Agreement and (ii) any sanctions measures imposed by the United Nations Security Council, European Union or any of its present member states, or the United Kingdom;

"**Seadrill Claim**" means the claim against the Subsidiary by Seadrill Esparanza Limited referred to in specific disclosure (c)(14) set out in the Disclosure Letter;

"**Seller's Designated Account**" means the bank account the details of which shall be notified to the Purchasers by the Seller at least five (5) Business Days prior to Completion or the due date of the relevant payment;

"**Seller Guarantee**" has the meaning given in Clause 26.4;

"**Seller's Lawyers**" means White & Case LLP, 5 Old Broad Street, London EC2N 1DW; "**Senior Managers**" means the individuals listed in Schedule 6 (*Senior Managers)*;

"**Settlement Agreement**" means the settlement agreement between *inter alia* The Republic of Equatorial Guinea and the Subsidiary entered into on or about the Execution Date;

"**Shares**" means, subject to Clause 5.6, 35,001 ordinary shares in the Company with a par value of USD 1 each, representing 100% of the shares in the issued share capital of the Company;

"**Subsidiary**" means Hess Equatorial Guinea, Inc., further details of which are set out in Part 2 of Schedule 1 (*Details of the Subsidiary*);

"**Subsidiary Shares**" means 100,001 ordinary shares in the Subsidiary with a par value of USD 10 each, representing 100% of the shares in the issued share capital of the Subsidiary;

"**Surrender Date**" has the meaning given in Clause 5.6(a); "**Tax**" and "**Taxation**" means:

(a) all taxes, assessments, charges, duties, fees, levies or other governmental charges in the nature of a tax, including all national, federal, state, local, municipal, foreign and other income, franchise, profits, gross receipts, capital gains, capital stock, transfer, property, sales, use, value-added, occupational, excise, severance, windfall profits, stamp, licence, payroll, social security, royalties, withholding and other taxes, assessments, charges, duties, fees, levies or other governmental charges in the nature of a tax (whether payable directly or by withholding, whether or not requiring filing, whether chargeable directly or primarily against or attributable directly or primarily to any of the Group Companies or any other person and whether any amount in respect of any of them is recoverable from any other person) imposed by any Tax Authority; and

(b) all penalties, fines and interest included in or relating to any Taxation falling in paragraph (a) above;

"**Tax Authority**" means any Governmental or Regulatory Authority or other authority anywhere in the world that has the power to impose or collect any Tax;

"**Tax Records**" means all returns, information, statements, accounts, registrations, computations, disclosures, notices, claims, disclaimers, elections, surrenders and applications relating to Tax;

"**Tax Warranties**" means the warranties set out in Clause 10.2(qq) to Clause 10.2(aaa);

"**Tax Statute**" any directive, statute, enactment, law or regulation wherever enacted or issued, coming into force or entered into providing for or imposing any Tax, or providing for the reporting, collection, assessment or administration of any Tax liability, and shall include orders, regulations, instruments, bye-laws or other subordinate legislation made under the relevant statute or statutory provision and any directive, statute, enactment, law, order, regulation or provision that amends, extends, consolidates or replaces the same or that has been amended, extended, consolidated or replaced by the same;

"**Title Warranties**" means the warranties set out in Clause 10.2(a) to Clause 10.2(i) and Clause 10.2(p) to Clause 10.2(r) (*Seller's warranties*);

"**Transaction Documents**" means:

(a) this Agreement;

(b) the Disclosure Letter;

(c) the Updated Disclosure Letter;

(d) the Transitional Services Agreement;

and "**Transaction Document**" shall mean any of them;

"**Transitional Services Agreement**" means the transitional services agreement relating to certain transitional services to be provided by the Retained Group to the Subsidiary following Completion, to be entered into on the Completion Date substantially on the terms set out in the term sheet set out in Schedule 8;

"**Trident Designated Account**" means the account the details of which shall be notified to the Seller by Trident at least five (5) Business Days prior to the due date of the relevant payment;

"**Trident Group**" means Trident and all its subsidiary undertakings, all its holding companies and all other subsidiary undertakings of each of its holding companies and "**Trident Group Company**" shall mean any one of them;

"**Updated Disclosure Letter**" means the disclosure letter described as such and dated as of the Completion Date, addressed by the Seller to the Purchasers and delivered to the Purchasers on the Completion Date, substantially in the same form as the Disclosure Letter;

"**US GAAP**" means the United States generally accepted accounting principles in effect from time to time;

"**USD**", "**Dollars**" or "**$**" means the lawful currency of the United States of America;

"**Warranties**" means the warranties set out in Clause 10 (*Seller's warranties*) and Clause 16 (*Mutual warranties*) given by the Seller and "**Warranty**" shall be construed accordingly;

"**Wilful Misconduct**" means any act or failure to act (whether sole, joint, or concurrent) by a person or entity which was intended to cause, or which was in reckless disregard of or wanton indifference to, the harmful consequences such person or entity knew, or should have known, such act or failure would have on the safety or property of another person or entity;

"**Working Capital Amount**" means USD 46,450,000, being the working capital of the Group Companies as at the Economic Date; and

"**Working Hours**" means, in relation to any location, 9.30 a.m. to 5.30 p.m. at such location on a Business Day.

1.2 The expression "**in the agreed form**" means in the form agreed between the Parties and signed for the purposes of identification by or on behalf of the Parties.

1.3 Any reference to "**writing**" or "**written**" means any method of reproducing words in a legible and non-transitory form (excluding, for the avoidance of doubt, email).

1.4 References to "**include**" or "**including**" are to be construed without limitation.

1.5 References to a "**company**" include any company, corporation or other body corporate wherever and however incorporated or established.

1.6 References to a "**person**" include any individual, company, partnership, joint venture, firm, association, trust, Governmental or Regulatory Authority or other body or entity (whether or not having separate legal personality).

1.7 The expressions "**body corporate**", "**holding company**", **"parent undertaking"**, "**subsidiary**" and "**subsidiary undertaking**" shall have the meaning given in the Companies Act.

1.8 The table of contents and headings are inserted for convenience only and do not affect the construction of this Agreement.

1.9 Unless the context otherwise requires, words in the singular include the plural and vice versa and a reference to any gender includes all other genders.

1.10 References to Clauses, paragraphs and Schedules are to clauses and paragraphs of, and schedules to, this Agreement. The Schedules form part of this Agreement.

1.11 References to any statute or statutory provision include a reference to that statute or statutory provision as amended, consolidated or replaced from time to time (whether before or after the date of this Agreement) and include any subordinate legislation made under the relevant statute or statutory provision except to the extent that any amendment, consolidation or replacement would increase or extend the liability of the Seller under this Agreement.

1.12 References to any English legal term for any action, remedy, method of financial proceedings, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include what most nearly approximates in that jurisdiction to the English legal term.

1.13 All payments required in accordance with this Agreement shall be made in USD. For the purposes of applying a reference to a monetary sum expressed in USD, an amount in a different currency shall be converted into USD on a particular date at an exchange rate equal to the mid-point closing rate for converting that currency into USD on that date as quoted in the New York edition of the Financial Times first next published (or, if no such rate is quoted in the Financial Times, the mid-point closing rate quoted by Barclays Bank PLC in London). In relation to a Claim, the date of such conversion shall be the date of receipt of notice of that Claim in accordance with Schedule 3 (*Limitations on Liability).*

1.14 This Agreement shall be binding on and be for the benefit of the successors of the Parties.

2. Sale and purchase

2.1 The Seller shall sell the Shares and the Purchasers shall each purchase fifty percent (50%) of the Shares with all rights attaching or accruing to them at Completion on the terms of this Agreement.

2.2 The Seller shall transfer the title to the Shares to the Purchasers free from all Encumbrances.

2.3 Neither the Seller nor the Purchasers shall be obliged to complete the sale and purchase of any of the Shares unless the sale and purchase of all the Shares is completed simultaneously.

3. Condition

3.1 The obligations of the Seller and the Purchasers to complete the sale and purchase of the Shares are in all respects conditional on the satisfaction (or waiver, as the case may be) of the following condition:

(a) all sums owing by the Contractor (as defined in the Settlement Agreement) to the General Treasury of the State pursuant to clause 4 of the Settlement Agreement having been paid (the "**Condition**").

3.2 The Seller shall:

(a) make an equity contribution to the Company and/or the Subsidiary equal to the sums owing by the Subsidiary to the General Treasury of the State pursuant to clause 4 of the Settlement Agreement; and

(b) use reasonable endeavours to procure the fulfilment of the Condition as soon as possible and in any event before the Long Stop Date.

3.3 The Seller and the Purchasers may, acting jointly and in writing, waive in whole or in part the Condition.

3.4 The Seller undertakes to notify the Purchasers in writing, and the Purchasers undertake to notify the Seller in writing, of anything which will or may prevent the Condition from being satisfied on or before the Long Stop Date promptly after it comes to its attention.

3.5 Each Party undertakes to notify the other Party as soon as possible on becoming aware that the Condition has been satisfied and in any event within two (2) Business Days of such satisfaction.

3.6 If the Condition is not fulfilled or waived on or before the Long Stop Date, the Parties shall be entitled to treat this Agreement as terminated subject to, and on the basis set out in, Clause 14.2 (*Termination*).

4. Consideration

Initial Consideration

4.1 The initial consideration for the sale and purchase of the Shares shall be an aggregate amount equal to USD 650,000,000.00 (six hundred and fifty million Dollars) (the "**Initial Consideration**"), as adjusted pursuant to the provisions of this Clause 4.

Initial Statement of Accounts

4.2 The Seller shall prepare and deliver to the Purchasers, by no later than ten (10) Business Days prior to the Completion Date, the Initial Statement of Accounts, prepared in accordance with Part 1 of Schedule 5 (Statement of Accounts). The Initial Statement of Accounts shall be prepared taking into account reasonable best estimates available at the time of preparation.

Initial Adjusted Consideration

4.3 The Initial Consideration shall be modified (as applicable) by the following Adjustments calculated in the Initial Statement of Accounts:

(a) increased by an amount equal to any and all Permitted Equity Contributions paid by the Seller to the Company;

(b) decreased by an amount equal to any and all Permitted Dividends paid by the Company to the Seller;

(c) increased by the Working Capital Amount;

(d) increased by amounts paid by the Seller or a member of the Retained Group for the benefit of a Group Company after the Economic Date until (and including) the Completion Date to the extent that such amounts:

(i) are not Permitted Leakage;

(ii) are reasonably and properly incurred in the Ordinary Course of Business and in accordance with previous business practice; and

(iii) in aggregate do not exceed US$1 million unless otherwise agreed by the Purchasers;

(e) decreased by an amount equal to Leakage except for Permitted Leakage;

(f) increased by an amount equivalent to interest calculated in Dollars, using the Reference Interest Rate, on the Permitted Equity Contribution from the date of payment of the Permitted Equity Contribution until (and inclusive of) the Completion Date;

(g) increased by an amount equivalent to interest calculated in Dollars, using the Reference Interest Rate, on the Working Capital Amount from (and exclusive of) the Economic Date until (and inclusive of) the Completion Date;

(h) decreased by an amount equivalent to interest calculated in Dollars, using the Reference Interest Rate, on the Permitted Dividends from the date of payment of the Permitted Dividend until (and inclusive of) the Completion Date; and

(i) decreased by an amount equivalent to interest calculated in Dollars, using the Reference Interest Rate, on an amount equal to Leakage (other than Permitted Leakage) from the date such Leakage arises until (and inclusive of) the Completion Date; and

(j) increased by an amount equivalent to interest calculated in Dollars, using the Reference Interest Rate, on the Initial Consideration from (and exclusive of) the Economic Date until (and inclusive of) the Completion Date.

4.4 At Completion, the Initial Adjusted Consideration shall be calculated by increasing or decreasing the Initial Consideration (as the case may be) in accordance with the Initial Statement of Accounts and in accordance with Clause 4.3 above; provided, however, that the amount of the Initial Consideration shall not be reduced by the Permitted Leakage, if any.

4.5 Payment by each Purchaser to the Seller of fifty percent (50%) of the Initial Adjusted Consideration (based on the Initial Statement of Accounts to be delivered by the Seller to the Purchasers on Completion) shall be made at Completion in accordance with paragraph 1 of Part 2 of Schedule 2 (*Completion Arrangements*).

Final Settlement Amount

4.6 The Initial Adjusted Consideration shall be further adjusted after Completion by the Final Settlement Amount and an amount equivalent to interest calculated in Dollars in accordance with Clause 6, using the Reference Interest Rate, on the Final Settlement Amount as set out in the Final Statement of Accounts, from and including the day on which Completion takes place to and including the date of payment thereof, payable in each case by the Purchasers to the Seller if the Final Adjusted Consideration is greater than the Initial Adjusted Consideration, and payable in each case by the Seller to the Purchasers if the Final Adjusted Consideration is less than the Initial Adjusted Consideration. If an amount is payable by the Purchasers under this clause, each Purchaser shall be liable to pay the Seller fifty percent

(50%) of such amount. If an amount is payable by the Seller to the Purchasers under this clause, the Seller shall be liable to pay each Purchaser fifty percent (50%) of such amount.

5. Pre-Completion Obligations

5.1 Subject to Clause 5.2, the Seller shall procure that from the Execution Date until Completion, each Group Company will:

(a) conduct its business in the Ordinary Course of Business and in substantially the same manner as in the 24 months prior to the Execution Date;

(b) subject to the non-Affiliated parties to the JOA and any other non-Affiliated committee members providing their prior consent, permit the Purchasers, at the Purchaser's sole cost to appoint an observer to operating committee meetings and technical committee meetings under a JOA, provided that any such meeting shall proceed irrespective of whether such appointee is in attendance;

(c) consult with the Purchasers with regard to the PSC Licence prior to any material decision in connection with the PSC Licence which is not in the Ordinary Course of Business;

(d) procure that each Purchaser is given reasonable access at reasonable times, on reasonable advance notice and at the Purchaser's sole cost, to all material documents, material information and data reasonably requested by a Purchaser relating to all material facts, matters and things in respect of the Group Companies and the Interest Documents;

(e) conduct its affairs in relation to the PSC Licence materially in accordance with and in compliance with the Interest Documents (including taking all reasonable steps to ensure that the PSC Licence is protected and maintained); and

(f) insure the Business and the assets of the Group Company and the PSC Licence and operations at the PSC Licence in the Ordinary Course of Business and substantially in the same manner and to the same extent as prior to the date of this Agreement and pay all premia thereon,

provided that neither the Seller nor any Group Company shall be required to comply with paragraphs (b), (c) or (d) above, where (i) the Seller and/or a Purchaser has given notice that, in its reasonable opinion the Condition is unlikely to be satisfied on or before the Long Stop Date or (ii) the Seller reasonably believes that doing so would lead to the disclosure of any proprietary or commercially sensitive information relating to the Seller or any of its Affiliates (other than information relating solely to the Business).

5.2 Notwithstanding Clause 5.1, in the period between the Execution Date and Completion, except as may be required or permitted by this Agreement or as may be required by any applicable law or any Governmental or Regulatory Authority, the Seller shall not and shall procure that, no Group Company shall do any of the following without the prior written consent of each Purchaser (such consent not to be unreasonably withheld, conditioned or delayed):

(a) declare, make or pay any dividend or other distribution, other than dividends or distributions to another Group Company or Permitted Dividends;

(b) sell or agree to sell the Shares or the Subsidiary Shares (in whole or in part) to a third party or accept any offer from a third party to purchase the Shares or the Subsidiary Shares (in whole or in part);

(c) create, allot or issue any shares in a Group Company, or give, create or enter into any option over shares in a Group Company, other than to another Group Company;

(d) create or grant, or agree to create or grant, any Encumbrance (other than Permitted Encumbrances) over the Shares or the Subsidiary Shares or over any material assets of a Group Company;

(e) sell or agree to sell any material assets of a Group Company (in whole or in part);

(f) in respect of the Group Companies only, grant any guarantees or indemnities for the benefit of any person, other than in the Ordinary Course of Business;

(g) grant any loans by the Group Companies other than credit under usual terms or write off or release any debts;

(h) voluntarily surrender, withdraw from or abandon the PSC Licence (in whole or in part);

(i) amend (in any material respect), terminate or agree to amend or terminate any of the Interest Documents;

(j) amend, any Affiliate Contract in a manner that would cause Permitted Leakage arising from such Affiliate Contract to be materially increased;

(k) waive or agree to waive any of its rights or remedies under the Interest Documents in so far as such rights and remedies materially affect the PSC Licence;

(l) enter into any contract, agreement or arrangement which, once entered into, would be a Material Contract, or amend (in any material respect), terminate or agree to amend or terminate any such Material Contract, in any such case, other than in the Ordinary Course of Business;

(m) propose any scheme or plan of arrangement, reconstruction, amalgamation, merger or demerger in respect of the Group Companies;

(n) propose any winding-up or liquidation of the Group Companies;

(o) make any material change in the nature or organisation of the business of the Group Companies;

(p) discontinue, cease to operate or wind up, or resolve to do any of the foregoing, as to all or any material part of the business of the Group Companies;

(q) make any variation to the terms and conditions of employment of any employee of a Group Company other than in the usual course of business;

(r) appoint, employ or offer to appoint or employ any person other than in the usual course of business;

(s) dismiss any employee other than in the usual course of business;

(t) incur or pay any management charge or make any other payment in each case to any member of the Retained Group or their Representatives, other than, for the avoidance of doubt, payments of such fees to another Group Company and payments specified as Permitted Leakage or as Permitted Dividends;

(u) institute, abandon or settle any material legal proceedings (except debt collection in the Ordinary Course of Business) against or otherwise involving a Group Company or make any admission of material liability by or on behalf of a Group Company;

(v) make, revoke or amend any Tax election or, other than as expressly required to satisfy the Condition, settle or compromise any Tax liability or agree to an extension or waiver of the limitation period to any Tax claim made by any Tax Authority or grant any power of attorney with respect to Taxes or enter into any closing agreement with respect to any Tax;

(w) change any method of accounting for Tax purposes; or

(x) file any amended income Tax return or other material amended Tax return other than as expressly required to satisfy the Condition.

5.3 Clause 5.2 does not apply in respect of and shall not operate so as to restrict or prevent:

(a) any matter reasonably undertaken in an emergency or disaster situation with the intention of and to the extent only of those matters strictly required with a view to minimising any adverse effect of such situation (and of which the Purchasers will be promptly notified in writing);

(b) the completion or performance of any obligations undertaken pursuant to any agreement Disclosed prior to the date of this Agreement and which was entered into prior to the date of this Agreement.

(c) any matter expressly permitted by, or necessary for performance of, this Agreement (including, for the avoidance of doubt, the satisfaction of the Condition and the performance of Clause 5.6) or any of the other Transaction Documents or necessary for Completion;

(d) any matter undertaken at the request of the Purchaser (subject to the Seller being able to undertake such matter);

(e) providing information to any Regulatory Authority in the Ordinary Course of Business;

(f) any matter to the extent required by applicable law;

(g) any Permitted Leakage.

5.4 It would be unreasonable for the Purchasers to withhold their consent under Clause 5.2 if the consent being sought is reasonably necessary to maintain the present status or condition of any of the assets of the Group Companies in accordance with Good and Prudent Oilfield Practice and/or in order to comply with its obligations under the Interest Documents as Disclosed prior to the Execution Date.

5.5 The Seller and the Purchasers (each on behalf of the Subsidiary) shall use all reasonable endeavours and shall negotiate in good faith to agree as soon as reasonably practicable after the date of this Agreement, and in any event before Completion, the final form of the Transitional Services Agreement in accordance with the principles and agreed terms set out in Schedule 8 (*Transitional Service Agreement Term Sheet*). If upon Completion the Seller and the Purchasers (each on behalf of the Subsidiary) have not agreed the final form of the Transitional Services Agreement, and/or the parties thereto have not entered into the Transitional Services Agreement, the Seller shall procure that the Retained Group provides the relevant transitional services to the Subsidiary in accordance with the terms set out in the term sheet set out in Schedule 8.

5.6 No later than five (5) Business Days prior to the Completion Date, the Seller shall:

(a) irrevocably surrender one Share for zero consideration (the date of such surrender being the "**Surrender Date**"), such that on Completion the Company will have 35,000 shares with a par value of USD 1 each in issue; and

(b) notify the Purchasers that such surrender has taken place and provide to the Purchasers a certified copy of the register of members of the Company evidencing such surrender,

and with effect from the Surrender Date the definition of "**Shares**" in Clause 1.1 shall be construed accordingly.

6. Final statements of accounts

6.1 The Seller shall prepare and deliver to the Purchasers, by no later than one hundred and twenty (120) days after the Completion Date, the Final Statement of Accounts, prepared in accordance with Part 2 of Schedule 5 (*Statement of Accounts*). The Final Statement of Accounts shall be based on actual financial results where available, or, in the absence of such results, on reasonable best estimates available at the time of preparation, and shall include any amounts not previously accounted for at Completion pursuant to the Initial Statement of Accounts and/or any necessary correction of amounts accounted for pursuant to the Initial Statement of Accounts.

6.2 During a period of thirty (30) days following the Final Statement of Accounts Date, the Purchasers may verify all amounts in the Final Statement of Accounts.

6.3 If any Purchaser takes exception to any of the figures contained in the Final Statement of Accounts, that Purchaser shall notify the Seller in writing, within forty-five (45) days of the Final Statement of Accounts Date, listing all figures in the Final Statement of Accounts that it disputes or is otherwise unable to verify based upon the Seller's documentation (or lack thereof) and detailing the basis for each exception, to the extent of the information then available to the Purchaser. In the event that a Purchaser delivers such a written notice of dispute to the Seller within the applicable time limit, the provisions of Clause 6.4 shall apply as to all disputed figures contained in the Final Statement of Accounts.

6.4 Upon a Purchaser delivering a written notice to the Seller pursuant to Clause 6.3, the Seller and the Purchasers shall Reasonably Endeavour to resolve all of the written exceptions, and upon such resolution the Final Statement of Accounts shall be deemed amended accordingly. In the event that the Seller and the Purchasers have not agreed upon the resolution of all outstanding figures in the Final Statement of Accounts within fifty-five (55) days of the Final Statement of Accounts Date, a Purchaser may, by written notice delivered to the Seller within sixty (60) days of the Final Statement of Accounts Date, refer all unresolved figures in the Final Statement of Accounts for binding dispute resolution by an independent expert as provided for in Clause 6.6.

6.5 All figures:

(a) to which no Purchaser, within the time permitted, takes exception as provided for in Clause 6.3; or

(b) that are disputed by a Purchaser pursuant to Clause 6.3 within the time permitted but are resolved between the Purchasers and the Seller or not referred by a Purchaser for dispute resolution within sixty (60) days of the Final Statement of Accounts Date as provided for in Clause 6.4,

shall be deemed finally resolved between the Purchasers and the Seller and shall be paid, in accordance with the relevant Final Statement of Accounts, by the owing Party or Parties (as

applicable) to the other Party or Parties (as applicable), by the transfer of immediately available funds to the Seller's Designated Account or in equal parts into the Kosmos Designated Account and the Trident Designated Account (as applicable) within seventy-five (75) days of the Final Statement of Accounts Date. In the event that a Purchaser, within the time permitted, takes exception to any figure in a Final Statement of Accounts pursuant to Clause 6.3 and then, within the time permitted, a Purchaser invokes binding dispute resolution as to any outstanding exception as referenced in Clause 6.4, no disputed amount shall be paid by the relevant Party or Parties (as applicable) until such outstanding exception is resolved. For the avoidance of doubt, all amounts that are not disputed shall be paid by the relevant Party or Parties (as applicable) no later than within seventy-five (75) days of the Final Statement of Accounts Date.

6.6 In the event that a Purchaser notifies the Seller, within the applicable time limit, of the referral of any dispute regarding any figures contained in the Final Statement of Accounts for resolution by an independent expert as provided for in Clause 6.4, the Seller and the Purchasers shall Reasonably Endeavour to appoint, by agreement, an independent expert, being a member in good standing for not less than ten (10) years of the American Institute of Certified Public Accountants, with relevant expertise, and without any conflict of interest involving any Party or their Affiliates. In the event that the Seller and the Purchasers do not make such appointment within ten (10) days of delivery of the Purchaser's referral notice as described in Clause 6.4, then, upon the application of any Party, the appointment shall be referred to the New York Office of the American Arbitration Association. The independent expert shall consider such written documentation and other submittals as he or she may request of the Parties and may seek such specialised consultancy advice as he or she sees fit. The decision of the independent expert so appointed shall be in writing, delivered not later than sixty (60) Business Days from the date of appointment of such independent expert unless otherwise agreed by the Parties and shall, in the absence of fraud or manifest error, be final and binding on the Parties. The payment of any outstanding amount, as determined by such independent expert, plus interest on such amount at the Reference Interest Rate from (and inclusive of) the Completion Date to (and inclusive of) that certain Business Day immediately preceding the date of payment, as determined to be owing by either Party to the other, shall be made within fifteen (15) days of such decision. The costs of the independent expert shall be borne as determined by the independent expert. Such independent expert shall be deemed to be acting as an expert and not as an arbitrator.

6.7 All Adjustments shall be accounted for in Dollars, and any Adjustments not expressly provided herein as Adjustments to be accounted for in Dollars shall be converted to Dollars, with any such exchange rate conversions being made as provided for in the definition thereof in Clause 1.1 of this Agreement and in accordance with the Seller's normal accounting policies and procedures. Any and all amounts owing pursuant to this Agreement shall be paid on the due date for payment in immediately available funds to the Seller's Designated Account or in equal parts into the Kosmos Designated Account and the Trident Designated Account (as applicable).

6.8 No item taken into account in calculating any one Adjustment shall be taken into account in calculating any other Adjustment such that it would result in a Party making or receiving payment twice in respect thereof.

6.9 For the avoidance of doubt, all payments made by one Party to another Party pursuant to the Final Statement of Accounts, including any amount that is ultimately determined to be owing by one Party to another Party pursuant to the dispute resolution procedures of Clause 6.6, shall be deemed Adjustments to the Initial Adjusted Consideration.

7. Leakage

7.1 Pending Completion, the Seller shall procure that no Group Company shall undertake any act or course of conduct which would result in Leakage. In this Agreement, "**Leakage**" means:

(a) the declaration, making or payment of any dividend or other distribution, or making of any redemption, purchase or other acquisition of any of its shares or other ownership interests, other than Permitted Dividends; and

(b) the making of any payment (including of consulting, advisory or management fees) to the Retained Group or their Representatives, other than, for the avoidance of doubt, payments specified as Permitted Leakage,

but shall not include:

(c) any matter undertaken at the request of the Purchasers (subject to the Seller being able to undertake such matter) or with the Purchasers' consent, such consent not to be unreasonably withheld, conditioned or delayed;

(d) for the avoidance of doubt, any payment made by a Group Company to the General Treasury of the State (as referred to in the Settlement Agreement) in order to satisfy the Condition; and

(e) any Permitted Leakage.

7.2 Except where an adjustment is made in respect of Leakage under Clause 4.3 (*Initial Adjusted Consideration*) or 4.6 (*Final Settlement Amount*), the Seller shall indemnify and hold each Purchaser harmless from and against all Losses suffered or incurred by it arising from the breach by the Seller of any covenants or undertakings contained in Clause 7.1.

7.3 Any payment pursuant to Clause 7.2 shall be treated as an adjustment to the Initial Adjusted Consideration or Final Adjusted Consideration, as applicable.

8. Completion

8.1 Completion shall take place on the Completion Date at the offices of the Seller's Lawyers or at such other place as is agreed in writing by the Seller and Purchasers.

8.2 At Completion the Seller shall do those things listed in Part 1 of Schedule 2 (*Completion Arrangements*) and the Purchasers shall do those things listed in Part 2 of Schedule 2 (*Completion Arrangements*).

8.3 If there is a material breach of Clause 8.2 and Schedule 2 (*Completion Arrangements*) on the Completion Date, the Seller or, as the case may be, the Purchasers may (provided, that the Seller or a Purchaser (as applicable) has not itself materially breached Clause 8.2 and Schedule 2 (*Completion Arrangements*)):

(a) defer Completion (with the provisions of this Clause 8 applying to Completion as so deferred);

(b) proceed to Completion as far as practicable (without limiting its rights and remedies under this Agreement); or

(c) terminate this Agreement by written notice to the other Parties, provided that the Parties' accrued rights and obligations under this Agreement (excluding any right of the Purchasers to claim damages for breach of Warranty) and their rights and

obligations under the Continuing Provisions shall continue, but in all other respects the Parties' rights and obligations under this Agreement shall cease.

9. Post-completion covenants

9.1 Following Completion, each Purchaser undertakes to the Seller not to bring (and to procure that no other member of the Kosmos Group (in respect of Kosmos) or the Trident Group (in respect of Trident) (including, for the avoidance of doubt in respect of each of Kosmos or Trident, the Group Companies) shall bring) any action, challenge, claim or proceeding, against all Senior Managers in respect of any action (or inaction), conduct, default or omission of any such person prior to Completion except in the case of fraud or Wilful Misconduct.

9.2 Subject to Clause 9.3, the Seller shall procure that each Affiliate Contract and any other contract or arrangement between a Group Company and any member of the Retained Group shall be terminated at Completion and, except in respect of issuance pursuant to Clause 9.4 and payment of any bona fide invoices issued, the Seller shall, and shall procure that its Affiliates shall, release in full and hold the Group Companies harmless in respect of and the relevant Group Company shall release in full and hold the Seller, and its Affiliates, harmless against all claims and liabilities (other than in respect of third party claims) arising directly under the Affiliate Contracts up to and including the Completion Date. Notwithstanding termination of the Marketing Services Agreement pursuant to this Clause 9.2 (or as otherwise agreed), the Seller shall procure that Hess International Sales LLC or any member of the Retained Group will pay to the Subsidiary all sums that would, but for the termination, have been payable by Hess International Sales LLC to the Subsidiary under the Marketing Services Agreement (or otherwise) in relation to any Sales Agreements (as defined under the Marketing Services Agreement) entered into prior to the date of such termination.

9.3 The Purchasers may request in writing to the Seller at least fifteen (15) Business Days prior to Completion that certain Affiliate Contracts shall remain in place following Completion (the "**Maintained Affiliate Contracts**"). On receipt of a written request from the Purchasers, the Seller shall procure that each Maintained Affiliate Contract shall not be terminated at Completion.

9.4 If, at Completion, any amounts have been reasonably and properly incurred in accordance with an Affiliate Contract or a Maintained Affiliate Contract but have not been invoiced to the Group Company, within thirty (30) days of Completion the Seller shall or shall procure that its Affiliate shall, issue a final invoice under that Affiliate Contract or the latest invoice under that Maintained Affiliate Contract requesting payment of such outstanding amounts.

10. Seller's warranties

10.1 Any Warranties that are qualified by the knowledge, belief or awareness of the Seller shall mean the actual (but not constructive or imputed) knowledge, belief or awareness of the Senior Managers (having made all reasonable enquiries of such other Senior Managers), provided, that, in the event of any breach or claim with respect to the Warranties, such individuals shall not incur any liability under the Agreement on the basis of their responses to such enquiry.

10.2 The Seller warrants to the Purchasers as of the Execution Date and as of the Completion Date that:

Incorporation and Authority

(a) The Seller and the Group Companies are companies duly incorporated and validly existing under laws of the Cayman Islands and each of the Group Companies have full corporate power and authority to carry on its business as it is now being conducted and to own the assets it now owns.

(b) The Seller has full power and authority to enter into and perform this Agreement and the Seller has full power and authority to enter into and perform the other Transaction Documents to which it is a party and all other documents executed by the Seller which are to be delivered at Completion (together, the "**Documents**"), each of which constitutes (when executed) legal, valid and binding obligations of the Seller in accordance with its respective terms.

(c) The execution, delivery and performance by the Seller of the Documents will not constitute a breach of any laws or regulations in any relevant jurisdiction or result in a breach of or constitute a default under (i) any provision of the memorandum and articles of association of the Seller; (ii) any order, judgment or decree of any court or governmental authority by which the Seller, or the Company is bound; or (iii) any agreement or instrument to which the Seller or any Group is a party or by which it is bound.

(d) The Seller and any the Group Company are not insolvent or unable to pay its debts within the meaning of the Insolvency Act 1986 (or under the insolvency laws of any applicable jurisdiction) or has stopped paying debts as they fall due. No order has been made, petition presented or resolution passed for the winding up of the Seller or any Group Company. No administrator or any receiver or manager has been appointed by any person in respect of the Seller or any Group Company or all or any of its or their assets and no steps have been taken to initiate any such appointment and no voluntary arrangement has been proposed. The Seller and any Group Company have not become subject to any analogous proceedings, appointments or arrangements under the laws of any applicable jurisdiction.

Ownership of the Shares

(e) The Seller is and will at the Completion Date be the sole legal and beneficial owner of, and has the right to exercise all voting and other rights over, all of the Shares. The Company is and will at the Completion Date be the sole legal and beneficial owner of, and has the right to exercise all voting and other rights over, all of the Subsidiary Shares in the Subsidiary.

(f) The Shares are and will at the Completion Date constitute the entire allotted and issued share capital of the Company and are fully paid up. The Subsidiary Shares are and will at the Completion Date constitute the entire allotted and issued share capital of the Subsidiary and are fully paid up.

(g) The Shares are and will at the Completion Date be free from all Encumbrances and there is no agreement or commitment to give or create any Encumbrance over or affecting the Shares and no claim has been made by any person to be entitled to any such Encumbrance. The Subsidiary Shares are and will at the Completion Date be free from all Encumbrances and there is no agreement or commitment to give or create any Encumbrance over or affecting the Subsidiary Shares and no claim has been made by any person to be entitled to any such Encumbrance.

(h) There are and will be no agreements or commitments outstanding which call for the issue of any shares, loan stock or debentures in or other securities of any Group Company

or accord to any person the right to call for the issue of any such shares, loan stock, debentures or other securities.

(i) No notices have been received by any of the Seller or any Group Company and so far as the Seller is aware no steps have been taken in relation to any expropriation, nationalisation or dilution or similar of the share capital of any Group Company or the PSC Licence.

Corporate and business

(j) The information relating to the Group Companies set out in Schedule 1 (*Details of the Group Companies*) is true and accurate in all respects.

(k) No Group Company has any subsidiary undertakings or any interest in the shares or other capital of any entity, other than, in the case of the Company, the Subsidiary.

(l) The copies of the constitutional documents of the Group Companies, the PSC Licence, the JOA and, so far as the Seller is aware, the minutes of the Operating Committee (excluding any attachments, annexes or schedules thereto) included in the Data Room Documents are true and complete copies of the originals of such documents.

(m) The books, registers and records (including all accounting records) of the Group Companies are in all material respects complete and accurate and up to date in accordance with applicable laws and are maintained and retained in accordance and for the period required by applicable laws. All such books, registers and records and other necessary documents and records relating to its affairs are in the possession or under the direct control, and subject to the unrestricted access, of the relevant Group Company. So far as the Seller is aware, the Group Companies have not received any application for rectification of any of its registers, including the register of members.

(n) So far as the Seller is aware, there is no power of attorney given by any Group Company in force and no outstanding authority by which any person may enter into an agreement, arrangement or obligation to do anything on behalf of any Group Company (other than any authority of its directors, branch manager and certain legal representatives to act in the ordinary and usual course of their duties).

(o) No Group Company is subject to any actual or contingent liability arising out of or in connection with any production sharing contract or equivalent arrangement (other than the PSC Licence) to which it has been a party or in which it has held an interest.

Asset and title to the PSC Licence

(p) The relevant Group Company is the holder of an 80.75% equity participating interest in the PSC Licence, which is burdened by an 85% paying working interest in the PSC Licence, but otherwise free from any Encumbrances (other than the rights in favour of GEPetrol and other Governmental or Regulatory Authority according to the terms of the PSC Licence and applicable laws).

(q) So far as the Seller is aware, the PSC Licence and the JOA are valid and in full force and effect.

(r) No Group Company is or, so far as the Seller is aware, has in the past been in default or in breach of any material terms or conditions of any of the PSC Licence or the JOA and no event has occurred or failed to occur which constitutes, or with the giving of notice or lapse of time or both, would constitute, a material breach or default of the PSC Licence or the JOA by a Group Company.

(s) So far as the Seller is aware, no other party to the JOA is in default or in breach of any material terms or conditions of any of the JOA and so far as the Seller is aware, no

event has occurred or failed to occur which constitutes, or with the giving of notice or lapse of time or both, would constitute, a material breach or default of the JOA by any other party to it.

(t) So far as the Seller is aware, the Group Companies have paid all material fees and charges imposed by any applicable Governmental or Regulatory Authority, which have become due and payable with respect to the PSC Licence.

(u) So far as the Seller is aware, no Group Company has received any written notification from any applicable Governmental or Regulatory Authority that any investigation or inquiry is being or has been conducted by any such Governmental or Regulatory Authorities in respect of violations of Environmental Law in relation to the PSC Licence.

(v) The PSC Licence, together with applicable laws, contains the entirety of the obligation of the relevant Group Company to the Governmental or Regulatory Authorities, and no other understanding or agreement exists between the relevant Group Company and the Governmental or Regulatory Authorities in relation to the subject matter of the PSC Licence.

Material assets

(w) The material assets included in the Accounts or acquired by the Group Companies since the Economic Date (other than trading stock disposed of since that date in the ordinary course of business) and all other material assets owned by the Group Companies are the absolute property of the relevant Group Company (save to the extent cost recovered under the PSC Licence) and are free from any Encumbrance.

(x) The Group Companies do not have any Encumbrances subsisting over the whole or any part of its present or future revenues or material assets.

(y) All such material assets owned by the Group Companies are not the subject of any leasing, hiring or hire purchase agreement or agreement for payment on deferred terms or assignment or factoring or other similar agreement.

(z) All such material assets are in the possession or under the control of the relevant Group Company.

Any reference to “assets” in (w) and (z) shall not include any assets constituting the participating interest in the PSC Licence (including any Joint Property as defined in the JOA) or the PSC Licence.

Accounts

(aa) The Accounts:

(i) have been prepared by the Group Companies in accordance with the applicable law and US GAAP;

(ii) have been prepared in accordance with the Group Companies' relevant accounting principles (as Disclosed), and in a manner consistent with the Group Companies' past practice of applying such accounting principles;

(iii) are accurate in all material respects;

(iv) show a true and fair view of the financial position, assets, liabilities, profit or loss and cash flows of the Group Companies as of the dates and periods indicated therein; and

(v) the Disclosure Letter contains true and accurate copies of all the Accounts,

provided that no warranty given by this paragraph (aa) shall be construed as a warranty relating to the appropriate inclusion in the Accounts of any reserve or accrual for uncertain or contingent Tax positions as required by US GAAP.

Debt

(bb) Save as Disclosed, the Group Companies have no Debt and are not party to nor bound by any agreement relating to Debt. On the Closing Date, no Group Company will have any Debt whatsoever nor be party to nor be bound by any agreement relating to Debt;

Material Disputes

(cc) Save as Disclosed, no Group Company is a plaintiff nor, so far as the Seller is aware, a defendant in or otherwise a party to any litigation, arbitration or administrative proceedings of a material nature;

(dd) So far as the Seller is aware, no Group Company has received any written notification of any material dispute which in the reasonable opinion of the Seller is likely to give rise to any such litigation, arbitration or administrative proceedings as are referred to in (cc) above.

Compliance with Laws

(ee) So far as the Seller is aware, each Group Company (i) has carried on, and is carrying on, the Business (including, in the case of the Subsidiary, as Operator and in relation to the ownership of the participating interest in the PSC Licence) in compliance in all material respects with applicable laws and (ii) holds (and is in compliance with) all material authorisations, permissions, licences, permits, consents and approvals from and agreements with any Governmental or Regulatory Authority required under applicable law in relation to its acting as Operator, the conduct of the Business and operations and the ownership of the participating interest in the PSC Licence.

(ff) Save as Disclosed, (i) there is no ongoing disagreement in writing between any Group Company and any Governmental or Regulatory Authority in relation to cost recovery in respect of a material amount, (ii) so far as the Seller is aware, no Governmental or Regulatory Authority has indicated in writing that any material sums incurred in relation to operations under the PSC Licence are not capable of being cost recovered; and (iii) no written request for an official audit, review or investigation in relation to cost recovery has been received by any Group Company from any Governmental or Regulatory Authority.

(gg) None of the Seller, any member of the Retained Group nor any of their respective Representatives acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement and other Transaction Documents is or will be at the Completion Date: (i) in violation of any Sanctions Laws and Regulations; (ii) a Designated Person or otherwise the target of Sanctions; (iii) involved in any transactions directly or indirectly, relating to or with entities located in countries subject to U.S. economic sanctions; or (iv) engaged in dealings in or with any property or interest in property blocked pursuant to any Sanctions Laws and Regulations.

Contracts

(hh) Other than those agreements contained in the Data Room Documents, there is no outstanding amount over the amount of USD$25,000 which is due and payable under any material agreement to which any Group Company is a party.

(ii) Other than as Disclosed, there is no material agreement to which any Group Company is a party, including any area of mutual interest agreement, joint bidding agreement, guarantee, indemnity, credit support or suretyship.

Environment, Health and Safety

(jj) The Subsidiary complies and has at all times in the ten years prior to the date of this Agreement complied in all material respects with Environmental Law;

(kk) So far as the Seller is aware, the Subsidiary has not received in the ten years prior to the date of this Agreement a written complaint or a notice alleging a material breach of, or a material liability under, Environmental Law.

(ll) So far as the Seller is aware, the Subsidiary has obtained and complies, and at all times in the ten years prior to the date of this Agreement has obtained and complied, in all material respects with each material Environmental permit required to carry on the Business and its operations under the PSC Licence.

Employees

(mm) The current employees of the Group Companies are listed in the Disclosure Letter. (nn) The Group Companies have complied in all material respects with all employee benefit plans, employment contracts, union agreements and local labour laws in respect of the employees of the Group Companies.

(oo) Save as Disclosed, there are no material disputes with (or claims by) any unions, works councils, staff associations or other employee representative bodies in relation to the employees of the Group Companies so far as the Seller is aware.

(pp) So far as the Seller is aware, the Group Companies have funded all reserves required by local labour laws in respect of end of service severance payments, retirement funds and other benefit plans and programs.

Tax

(qq) For all periods commencing on or after the Economic Date, each Group Company has complied, in all jurisdictions, in all material respects with all statutory provisions, rules, regulations, orders and directions required of it under any Tax Statute or otherwise required by law, and all Tax Records submitted after the Economic Date which relate to periods commencing on or after the Economic Date remain at the date of this Agreement complete, correct and accurate in all material respects.

(rr) Each Group Company has complied in all material respects with all statutory provisions, rules, regulations, orders and directions required of it in relation to records, invoices and other information required to be kept in relation to Tax.

(ss) For all periods commencing on or after the Economic Date, each Group Company has duly and timely paid all Tax (including where required by way of deduction or withholding and including any requirement to account for such deducted or withheld Tax) for which it is liable and no Group Company is liable, nor has for all periods commencing on or after the Economic Date been liable, to pay any interest, fine or other penalty in connection with Tax.

(tt) Since the Economic Date:

(i) no Group Company has been involved in any transaction outside the Ordinary Course of Business which has given or may give rise to a liability to Tax on any Group Company (or would have given or might give rise to such a Tax liability but for the availability of any Tax relief);

(ii) no accounting period of any Group Company has ended; and

(iii) there has been no change to the approach taken by any Group Company to matters relating to Tax as compared to any positions taken in any Tax Returns which have been filed prior to the Economic Date save as required by the Settlement Agreement.

(uu) For all periods commencing on or after the Economic Date, no Group Company has been or is involved in any material dispute with any Tax Authority, and no Group Company is the subject of any enquiry with any Tax Authority concerning any matter other than routine enquiries of a minor nature and the Seller is not aware of any circumstances which would or would be liable to give rise to such a dispute or enquiry.

(vv) The Company is incorporated, and has its registered office, in the Cayman Islands. No Tax Authority in any jurisdiction considers the Company is resident for Tax purposes in or has a permanent establishment in its jurisdiction. The Company is tax- exempted in the Cayman Islands.

(ww) The Subsidiary is incorporated, and has its registered office, in the Cayman Islands. No Tax Authority in any jurisdiction (other than the Republic of Equatorial Guinea) considers that the Subsidiary is resident for Tax purposes in or has a permanent establishment in its jurisdiction. The Subsidiary is tax-exempted in the Cayman Islands.

(xx) Since the Economic Date, all transactions entered into by each Group Company have been entered into on an arm's length basis and the consideration (if any) which has been charged, received or paid by the relevant Group Company on all transactions entered into by it since the Economic Date has been equal to the consideration which would have been expected to be charged, received or paid between independent persons dealings at arm's length.

(yy) No Group Company is or has been party to any scheme, arrangement, transaction or series of transactions the main purpose, or one of the main purposes of which, was the avoidance of Tax which was either entered into after the Economic Date or otherwise has effect for any period after the Economic Date.

(zz) No Group Company is bound by or party to any Tax sharing or Tax allocation agreement.

(aaa) So far as the Seller is aware, no transaction, act, omission or event has occurred in consequence of which any Group Company is or may be held liable for any Tax (including under an indemnity) which Tax is primarily or directly chargeable against or attributable to any person other than any of the Group Companies, whether such liability arises as a result of the operation of law or any agreement entered into by any of the Group Companies.

10.3 Each Purchaser acknowledges and confirms, that:

(a) it does not rely on and has not been induced to enter into this Agreement on the basis

of any warranties, representations, covenants, undertakings, indemnities or other statements whatsoever other than the Warranties. In particular, no warranty, representation, covenant, undertaking, indemnity or other statement has been given (expressly or impliedly) in respect of, and each Purchaser acknowledges that it has had an adequate opportunity to review, agrees to hold the Retained Group harmless and is solely responsible for forming its own opinion as to:

(i) the amount, quality or deliverability of hydrocarbons attributable to any asset of any Group Company;

(ii) any geological, geophysical, engineering, economic or other interpretations, forecasts or evaluations;

(iii) any forecast of expenditures, budgets or financial projections (including any projections as to the future profitability or future value of any Group Company);

(iv) any geological formation, drilling prospect or hydrocarbon reserves;

(v) the repair, condition, working order, fitness for purpose or future performance or capability of any property, plant or equipment forming part of or relating to the assets of any Group Company; and

(vi) the future performance of any Group Company (including revenues and costs);

(b) none of the Seller, any Group Company, any member of the Retained Group nor any of their Representatives have given any such warranties, representations, covenants, undertakings, indemnities or other statements;

(c) it has carried out such investigations, made such enquiries and taken such advice as is necessary to evaluate the merits and risks of acquiring the Group Companies and to protect its interests in connection with such acquisition; and

(d) it has had adequate access to information regarding the Business, the Seller, the Retained Group and any Group Companies and it has performed Due Diligence to its full satisfaction and in a manner and to a degree customary with respect to the type and size of transaction contemplated by this Agreement.

10.4 Nothing in Clause 10.3 shall limit the Warranties given by the Seller or the standard of Disclosure required to limit the Seller's liability in respect thereof under Schedule 3 (*Seller's Limitations on Liability*).

10.5 Each of the Warranties (subject to Clause 11 (*Seller's limitations on liability*) and Schedule 3 (*Seller's Limitations on Liability*) below) shall be construed as a separate and independent warranty and shall not be limited or restricted by reference to or inference from the terms of any of the other Warranties.

10.6 Each Purchaser agrees and undertakes that (in the absence of fraud or Wilful Misconduct) it has no rights against and shall not make any claim against any Representative of any member of the Retained Group or any Group Company on whom it may have relied before agreeing to any term of any of the Transaction Documents.

11. Seller's limitations on liability

The liability of the Seller in respect of Claims shall be limited as provided in Schedule 3 (*Seller's Limitations on Liability*).

12. Purchasers' warranties and undertakings

12.1 Each Purchaser warrants to the Seller on the Execution Date and on the Completion Date (in respect of itself only) that:

(a) it has the requisite power and authority, and has received all necessary approvals, to enter into and perform its obligations under this Agreement and the other Transaction Documents to which it is party;

(b) its obligations under this Agreement and the other Transaction Documents will when delivered constitute binding obligations of it in accordance with their respective terms except as enforceability may be limited by bankruptcy, insolvency, reorganisation, moratorium or other laws affecting creditors' rights generally and general principles of equity (whether considered in a proceeding at law or in equity);

(c) the execution and delivery of, and the performance by it of its obligations under, this Agreement and the other Transaction Documents will not: (i) result in a material breach of any provision of the constitutional documents of it; (ii) result in a material breach of, or constitute a default under, any instrument to which it is a party or by which it is bound; (iii) so far as it is aware, result in a material breach of any order, judgment or decree of any court or governmental agency to which it is a party or by which it is bound; or (iv) require the consent of its shareholders;

(d) it is not nor will it be required to give any notice to or make any filing with or obtain any permit, consent, waiver or other authorisation from any Governmental or Regulatory Authority in connection with the execution, delivery and performance of the Transaction Documents;

(e) no order has been made, petition presented or resolution passed for the winding up of it. No administrator nor any receiver or manager has been appointed by any person in respect of it or all or any of its assets and, so far as it is aware, no steps have been taken to initiate any such appointment and no voluntary arrangement has been proposed. It has not become subject to any analogous proceedings, appointments or arrangements under the laws of any applicable jurisdiction;

(f) all information, including, without limitation, any financial information, supplied by any member of its Group or any of their respective Representatives in connection with the transactions contemplated in the Transaction Documents was when given and remains true and accurate in all respects and not misleading;

(g) it has and will have at Completion immediately available on an unconditional basis (subject only to Completion) the cash resources required to meet in full its obligations under the Transaction Documents;

(h) none of it, any member of its Group nor any of their respective Representatives acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement and other Transaction Documents is or will be at the Completion Date: (i) in violation of any Sanctions Laws and Regulations; (ii) a Designated Person or otherwise the target of Sanctions; (iii) involved in any transactions directly or indirectly, relating to or with entities located in countries subject to U.S. economic sanctions; or (iv) engaged in dealings in or with any property or interest in property blocked pursuant to any Sanctions Laws and Regulations; and

(i) none of the it, any member of the its Group, nor any of their respective Representatives acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement and other Transaction Documents: (i) will permit the Company to engage in any transactions with or relating to countries or persons subject to Sanctions; and (ii) none of the proceeds used in connection with the acquisition of the shares in the Company will be derived from or in any way related directly or indirectly to business with countries or persons subject to Sanctions.

12.2 Kosmos warrants to the Seller and Trident on the Execution Date and on the Completion Date that it is a company duly incorporated and organised and validly existing under the laws of the Cayman Islands.

12.3 Trident warrants to the Seller and Kosmos on the Execution Date and on the Completion Date that it is a company duly incorporated and organised and validly existing under the laws of the Cayman Islands.

12.4 Each Purchaser shall at its own cost procure that no later than six (6) months following Completion:

(a) no member of its Group shall use "Hess" or any other mark, logo, name, symbol or design which, in the opinion of the Seller, is capable of being confused with Hess; and

(b) all references to any member of the Retained Group wherever and however any such reference is made by its Group in connection with the Business are removed,

and each of the Purchaser undertakes to the Seller that in the event of any sale of the whole or any part of the its Group or its businesses to any third party, it shall procure that any successor in title shall enter into equivalent undertakings in respect of the Retained Group.

12.5 If Completion does not take place, each Purchaser undertakes to the Seller that it shall forthwith hand over, or procure the handing over of, all books, records, documents and papers of or relating to the Retained Group which shall have been made available to it and all copies or other records derived from such materials and that it shall remove any information derived from such materials or otherwise concerning the subject matter of this Agreement from any computer, word processor or other device containing information.

13. Environmental indemnity

13.1 Subject to Completion occurring, and other than as set out in Clause 13.2, the Purchasers agree that no member of the Retained Group shall have any liability to any member of the Trident Group, any member of the Kosmos Group, or to any Group Company in respect of any Environmental Liabilities of whatsoever nature and howsoever arising whether before, on or after the Economic Date.

13.2 Subject to Completion occurring, the Seller hereby indemnifies each Purchaser against any and all Losses suffered or incurred by it and in respect of any Claims arising out of, relating to or attributable to any breach of any of the Environmental Warranties.

14. Termination

14.1 This Agreement shall terminate and, subject to Clause 14.3, each Party’s rights and obligations shall cease to have force and effect from such termination if at any time prior to Completion a Purchaser gives written notice of termination to the Seller following:

(a) a breach by the Seller of any of the Title Warranties, in which case this Agreement shall terminate with immediate effect on the date set out in the notice;

(b) the occurrence and continuance of a MAC Event, in which case this Agreement shall terminate with effect from the earlier of (i) the Business Day following the day on which the Condition has been satisfied or waived in accordance with this Agreement, unless the Purchasers notify the Seller that the MAC Event has been cured to their reasonable satisfaction or no longer exists; and (ii) the Long Stop Date; provided that if the MAC

Event occurs after the Condition has been satisfied or waived in accordance with this Agreement then the termination shall occur with immediate effect.

14.2 Save for the Parties' express right to terminate in this Clause 14 and Clauses 3.6 (*Condition*), 8.3(c) (*Completion*) and 16(f) (*Mutual Warranties*) , the Parties shall not be entitled to rescind or terminate this Agreement, whether before or after Completion. Nothing in this Clause 14 shall operate to limit or exclude any liability for fraud.

14.3 If this Agreement is terminated by a Party in accordance with:

(a) Clause 3.6 (*Condition*);

(b) Clause 8.3(c) (*Completion*);

(c) Clause 14.1 (*Termination*); or

(d) Clause 16(f) (*Mutual Warranties*),

the rights and obligations of the Parties under this Agreement shall cease immediately, save in respect of antecedent breaches (but excluding any right of the Purchasers to claim damages for breach of Warranty or of the Seller's obligations under Clause 5 (*Pre-Completion Obligations*)) and under the Continuing Provisions.

15. Non-solicitation of employees

Each Purchaser shall not and undertakes to procure that each member of the its Group will not, either pending or within two (2) years after Completion, solicit or entice away from the employment of any member of the Retained Group any person employed by a member of the Retained Group at the date of this Agreement except for any employee who answers a general public advertisement without further solicitation.

16. Mutual warranties

The Parties make the following warranties to each other as of the date of this Agreement and the Completion Date:

(a) Each Party warrants that, since January 1, 2012, and except as otherwise Disclosed, it, its Affiliates, its Associated Persons, its directors, officers, employees, agents, or consultants, or any other person acting for, or on behalf of the Party or its Affiliates, and except as set forth in subsection (a)(iii) below in connection with this Agreement and the Agreement's subject matter (and in the case of the Seller, in connection with the PSC Licence, the Seller's and Seller Guarantor's activities in Equatorial Guinea including Block G, and the activities of any Group Company), directly or indirectly:

(i) have not violated or committed any act that would constitute a violation of, or an offence under, any Anti-Bribery Laws or Sanctions Laws and Regulations, irrespective of whether the Anti-Bribery Laws or Sanctions Laws and Regulations apply;

(ii) have not paid, offered, promised, or authorised the payment, directly or indirectly, of any monies or anything of value to any person for the purpose of improperly influencing any act or decision by that person, or by a Government Official, to obtain, retain, or direct business or to secure an improper advantage;

(iii) have not, to the knowledge of the Party, been the subject of any actual, pending or threatened, legal, administrative, arbitral or other proceeding, claim, suit, inquiry, or action against, or government investigation in connection with any Anti-Bribery Laws or Sanctions Laws and Regulations in or concerning any jurisdiction, whether or not relating to operations or activities in Equatorial Guinea, nor, so far as the Party is aware, are there any circumstances likely to give rise to any such investigation, inquiry or proceeding in or concerning activities or operations in Equatorial Guinea; or

(iv) have no injunction, order, judgment, ruling, or decree against them by or before any government in connection with any Anti-Bribery Laws or Sanctions Laws or Regulations.

(b) In connection with the Agreement, each Party warrants and undertakes that it, its Affiliates, its directors, officers, employees, agents or consultants, and any other person acting for, or on behalf of, such Party, directly or indirectly shall not violate any Anti-Bribery Law or Sanctions Law or Regulation, or engage any act, practice, or conduct that would constitute a violation of, or an offence under, the Anti-Bribery Laws or Sanctions Laws and Regulations, as if those laws applied to it.

(c) Each Party shall defend, indemnify and hold the other Party and its Affiliates harmless from and against any and all claims and Losses (including all Losses, suffered or incurred in investigating, settling or disputing any such action (actual or potential) and/or the reasonable costs of obtaining advice as to any such action (actual or potential)) which the other Party or its Affiliates may suffer or incur or which may be brought against it in any jurisdiction arising, directly or indirectly, out of, in respect of, or in connection with any breach of the warranties and undertakings under this Clause 16.

(d) Notwithstanding anything in this Agreement to the contrary, no provision shall be interpreted or applied so as to require any Party to do, or refrain from doing, anything which would constitute a violation of any law or regulation applicable to such Party.

(e) For the term of this Agreement and for a period of five (5) years thereafter, each Party shall reasonably cooperate in good faith with any reasonable request of any other Party to be entitled to review relevant documentation, and further each Party agrees to encourage its representatives, management and/or staff to engage in interviews at the request of any other Party, in order to verify compliance with the terms of this Clause

16 and the requirements of the Anti-Bribery Laws or Sanctions Laws and Regulations. Each Party shall cooperate fully and in good faith in any such audit or investigation conducted by another Party in relation to compliance with this Clause 16 and the Anti-Bribery Laws and Sanctions Laws and Regulations.

(f) Notwithstanding anything in this Agreement to the contrary, each Party shall have the right to suspend or terminate this Agreement and any payments hereunder if the other Party has failed to materially comply with any of the terms of Clause 16(a) and Clause 16(b).

17. Withholding

17.1 Any payments made or due from a Party (the **"Payer"**) under this Agreement shall be effected by the Payer without any deduction or withholding of any Tax unless required by law. In the event that the Payer is obliged to deduct or withhold any such Tax under applicable law when effecting any such payment, the Payer shall:

(a) make the deduction or withholding and account to the relevant Tax Authority for the amount deducted or withheld within the time allowed and in the minimum amount required by law and promptly provide the Party receiving the relevant payment (the **"Payee"**) with evidence reasonably satisfactory to the Payee that it has done so; and

(b) (other than where the relevant payment is, or is in respect, of the Consideration) increase the amount payable to the Payee to the extent necessary to ensure that after making the required deduction or withholding the Payee receives the payment in the amount it would have received had the Payer had no obligation to make the required deduction or withholding.

17.2 The Payer covenants to pay to the Payee on demand an amount equal to any Losses incurred or suffered by the Payee as a result of any failure by the Payer to comply with its obligations under Clause 17.1(a).

18. Access

18.1 The Purchasers shall make available to the Seller copies of any Books and Records of the Group Companies (or, if practicable, the relevant parts of those Books and Records) which are reasonably required by the Seller for the purpose of dealing with its Tax or accounting affairs and/or in preparation of the Final Statement of Accounts in accordance with Clause 6.1 (*Statements of accounts*) and, accordingly, the Purchasers shall, upon being given reasonable notice by the Seller and subject to the Seller giving such undertaking as to confidentiality as the Purchasers shall reasonably require, procure that such Books and Records are made available to the Seller and its Representatives for inspection (during Working Hours) and copying (at the Seller's expense) for and only to the extent necessary for such purpose and for a period of five (5) years from Completion.

18.2 The Seller shall make available to the Purchasers copies of any Books and Records of members of the Retained Group (or, if practicable, the relevant parts of those Books and Records) which are reasonably required by the Purchasers for the purpose of dealing with its Tax or accounting affairs and, accordingly, the Seller shall, upon being given reasonable notice by the Purchasers and subject to the Purchasers giving such undertaking as to confidentiality as the Seller shall reasonably require, procure that such Books and Records are made available to the Purchasers and their Representatives for inspection (during Working Hours) and copying (at the Purchasers' expense) for and only to the extent necessary for such purpose and for a period of five (5) years from Completion.

18.3 In the event that any proceeding, enquiry or investigation of any judicial or Governmental or Regulatory Authority is pending at the time of expiry of the period of five (5) years from Completion, or if at such time the Seller or the Purchasers (as applicable) is in the process of

using any Books and Records in connection with satisfying applicable laws or regulations, the Seller or the Purchasers (as applicable) shall be entitled to continuing access to the Books and Records on the same terms as provided in Clauses 18.1 and 18.2 for a further period until completion of the relevant enquiry, investigation or other event.

19. Effect of completion

Any provision of the Transaction Documents which is capable of being performed after, but which has not been performed at or before Completion, shall remain in full force and effect notwithstanding Completion.

20. Assurance

20.1 Each Purchaser, for itself and its successors and assigns, covenants that, at any time and from time to time on or after Completion, it and they will execute and deliver all such instruments of assumption and acknowledgements or take such other action as the Seller may reasonably request in order to give full effect to this Agreement and the Transaction Documents.

20.2 The Seller, for itself and its successors and assigns, covenants that, at any time and from time to time on or after Completion, it and they will execute and deliver all such instruments of assumption and acknowledgements or take such other action as the Purchasers may reasonably request in order to give full effect to this Agreement and the Transaction Documents.

21. Insurance

The Purchasers undertake that with effect from the Completion Date it will arrange insurance cover in respect of the Group Companies and acknowledges that with effect from the Completion Date any pre-existing insurance cover maintained by the Retained Group shall no longer apply to the Group Companies.

22. Assignment

22.1 Subject to Clause 22.2, a Purchaser may not assign, transfer, charge, declare a trust of or otherwise dispose of all or any part of its rights and benefits under this Agreement or any other Transaction Documents (including any cause of action arising in connection with any of them) or of any right or interest in any of them without the prior written consent of the Seller and the other Purchaser.

22.2 A Purchaser may assign all or any of its rights under any Transaction Document by way of security or charge (or both of the foregoing) for the benefit of:

(a) any bank(s), and/or financial institution(s), and/or holder(s) of debt securities or any other person lending money or making other banking or credit facilities available to such Purchaser and/or its Affiliates (including in connection with any refinancing or replacement of such facilities) in connection with the transaction contemplated by this Agreement; and/or

(b) any person from time to time appointed by any bank(s), and/or financial institution(s), and/or holder(s) of debt securities or any other person referred to in Clause 22.2(a) to act on its/their behalf as facility or security agent, security trustee, arranger of finance, receiver or person fulfilling a similar or related role in connection with the transaction contemplated by this Agreement,

and any such beneficiary of security may assign all or any of those rights for the purpose of enforcing such security assignment or charge.

23. Entire agreement

23.1 This Agreement, together with the Transaction Documents and any other documents referred to in this Agreement or any Transaction Document, constitutes the whole agreement between the Parties and supersedes any previous arrangements or agreements between them relating to the sale and purchase of the Shares.

23.2 A Party's only right or remedy in respect of any provision of this Agreement or any other Transaction Document shall be for breach of this Agreement or that Transaction Document.

23.3 Save in relation to breach of this Agreement or any other Transaction Document, no Party nor any of its Related Persons shall have any right or remedy, or make any claim, against another Party nor any of its Related Persons in connection with the sale and purchase of the Shares.

23.4 In this Clause 23, "**Related Persons**" means, in relation to a Party, members of the Retained Group (in respect of the Seller), the Kosmos Group (in respect of Kosmos) or the Trident Group (in respect of Trident) (as applicable) and the Representatives of that Party and of members of the Retained Group (in respect of the Seller), the Kosmos Group (in respect of Kosmos) or the Trident Group (in respect of Trident) (as applicable).

23.5 Nothing in this Clause 23 shall operate to limit or exclude any liability for fraud.

24. Notices

24.1 Any notice or other communication to be given under or in connection with this Agreement shall be in the English language in writing and signed by or on behalf of the Party giving it. A notice may be delivered personally or sent by fax, pre-paid recorded delivery or international courier to the address or fax number provided in Clause 24.3, and marked for the attention of the person specified in that Clause.

24.2 A notice shall be deemed to have been received:

(a) at the time of delivery if delivered personally;

(b) at the time of transmission if sent by fax;

(c) two (2) Business Days after the time and date of posting if sent by pre-paid recorded delivery; or

(d) three (3) Business Days after the time and date of posting if sent by international courier,

provided that if deemed receipt of any notice occurs after 5.30 p.m. or is not on a Business Day, deemed receipt of the notice shall be 9.30 a.m. on the next Business Day. References to time in this Clause 24 are to local time in the country of the addressee.

24.3 Notices under this Agreement shall be sent to a Party at its address or number and for the attention of the individual set out below:

Seller

Name: Hess Equatorial Guinea Investments Limited

Address: care of Hess Corporation, 1501 McKinney, Houston, Texas 77010, USA

Attn: General Counsel
Facsimile no.: +1 713 496-8052

with a copy to: care of Hess Corporation, 1185 Avenue of the Americas, New York, NY 10036, USA

Attn: Timothy Goodell, General Counsel
Facsimile no.: +1 212 536-8241

Seller Guarantor

Name: Hess Corporation

Address: 1185 Avenue of the Americas, New York, New York 10036, USA

Attn: Timothy Goodell, General Counsel
Facsimile no.: +1 212 536-8241

Purchasers Kosmos

Name: Kosmos Energy Equatorial Guinea

Address: c/o Wilmington Trust (Cayman Islands)
Fourth Floor, Century Yard, Cricket Square, Elgin Avenue,
P.O. Box 32322, George Town, KY1-1209, Grand Cayman, Cayman Islands

Attn: General Counsel

Facsimile no.: +1 214 445-9705 With a copy to:

Name: Kosmos Energy LLC

Address: 8176 Park Lane, Suite 500 Dallas, Texas 75231 U.S.A.
Attn: General Counsel
Facsimile no.: +1 214 445-9705

Trident
Name: Trident Energy E.G. Operations, Ltd.

Address: c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands

Attn: General Counsel

With a copy to : c/o Trident Energy Management Limited
Address: 129 Wilton Road, London SW1V 1JZ, United Kingdom
Attn: General Counsel

Kosmos Guarantor:

Name: Kosmos Energy Operating

Address: c/o Kosmos Energy LLC 8176 Park Lane, Suite 500 Dallas, Texas 75231 U.S.A.
Attn: General Counsel
Facsimile no.: +1-214-445-9705

24.4 A Party shall notify the other Parties of any change to its details in Clause 24.3 in accordance with the provisions of this Clause 24, provided that such notification shall only be effective on the later of the date specified in the notification and five (5) Business Days after deemed receipt.

25. Announcements

No Party nor its Affiliates shall make any public announcements or other statements regarding the execution of this Agreement, the Transaction Documents, Completion or any other matter involving this Agreement or any of the transactions or documents contemplated under this Agreement without the prior written consent of the other Parties, such consent not to be unreasonably withheld, conditioned or delayed, except that a Party may make a public announcement that is required by law or to comply with any directives or other requirements of any law of any relevant jurisdiction or any securities exchange, Governmental or Regulatory Authority provided that, to the extent permissible, such Party gives the other Parties notice and a copy of the announcement at least forty-eight (48) hours prior to such announcement being made. Without limiting the scope of the foregoing provision and for the avoidance of doubt, the Purchasers are not authorised to include the 'Hess' logo in any form in any public announcement or statement, the Seller and Kosmos are not authorised to include the 'Trident' logo in any form in any public announcement or statement and the Seller and Trident are not authorised to include the 'Kosmos' logo in any form in any public announcement or statement.

26. Guarantees

26.1 In consideration of the Seller entering into this Agreement, the Kosmos Guarantor irrevocably and unconditionally guarantees to the Seller punctual performance by Kosmos of its obligations to pay all monies owed by Kosmos to the Seller in connection with the purchase of the Shares on the terms and subject to the conditions of this Agreement (the "**Guaranteed Obligations**"), and undertakes to the Seller that whenever Kosmos does not fulfil a Guaranteed Obligation, the Kosmos Guarantor shall immediately on demand pay that amount as if it was the principal obligor so that the same benefits are conferred on the Seller as it would have received if such obligation had been performed and satisfied by Kosmos (the "**Kosmos Guarantee**").

26.2 The Kosmos Guarantor, as principal obligor and as a separate and independent obligation and liability from its obligations and liabilities under the Kosmos Guarantee, undertakes to indemnify and hold the Seller harmless from and against any Loss suffered or incurred by it arising directly or indirectly out of, as a result of or in connection with the non-performance by Kosmos of any of the Guaranteed Obligations.

26.3 The Kosmos Guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by Kosmos under the Guaranteed Obligations, regardless of any intermediate payment or discharge in whole or in part.

26.4 In consideration of each of the Purchasers entering into this Agreement, the Seller Guarantor irrevocably and unconditionally guarantees to each of the Purchasers punctual performance by the Seller of all of the Seller's obligations under this Agreement and undertakes to each Purchaser that:

(a) whenever the Seller does not pay any amount when due under or in connection with this Agreement and any other Transaction Document, the Seller Guarantor shall immediately on demand pay that amount to the Purchasers as if it was the principal obligor; and

(b) whenever the Seller fails to perform any other obligations under this Agreement or any other Transaction Document, the Seller Guarantor shall immediately on demand perform (or procure performance of) and satisfy (or procure the satisfaction of) that obligation,

so that the same benefits are conferred on each of the Purchasers as it would have received if such obligation had been performed and satisfied by the Seller (the "**Seller Guarantee**").

26.5 The Seller Guarantor, as principal obligor and as a separate and independent obligation and liability from its obligations and liabilities in Clause 26.4, undertakes to indemnify and hold each Purchaser harmless from and against any Loss suffered or incurred by it arising directly or indirectly out of, as a result of or in connection with the non-performance by the Seller of any of its obligations in accordance with the Seller Guarantee.

26.6 The Seller Guarantee is a continuing guarantee and will extend to any sums payable by the Seller to the Purchasers under this Agreement, regardless of any intermediate payment or discharge in whole or in part.

26.7 The obligations of the Kosmos Guarantor and/or the Seller Guarantor, as the case may be, will not be affected by any act, omission, matter or thing which, but for this Clause 26.7 would reduce, release or prejudice any of its obligations under this Agreement or any other Transaction Document including:

(a) any time, waiver or consent granted to the Purchasers, Seller (as the case may be) or any other person;

(b) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against any guaranteed Party under this Agreement or any other Transaction Document;

(c) the insolvency (or similar proceedings) of the Seller or Kosmos (as applicable), any incapacity or lack of power, authority or legal personality of the Seller or Kosmos (as applicable) or change in control, ownership or status of the Seller or Kosmos (as applicable);

(d) any amendment to this Agreement or any other Transaction Document;

(e) any illegality, invalidity or unenforceability of any obligation of any person under this Agreement or any other Transaction Document; or

(f) any other act, event or omission which might operate to discharge, impair or otherwise affect any of the obligations of the Kosmos Guarantor or Seller Guarantor

(as applicable) or any of the rights, powers and remedies conferred on the Purchaser, in each case under this Agreement or any other Transaction Document.

26.8 The Kosmos Guarantor waives any right which it may have to first require the Seller to proceed against Kosmos before claiming from the Kosmos Guarantor. The Seller Guarantor also waives any right which it may have to first require the Purchasers to proceed against the Seller before claiming from the Seller Guarantor, in each case under this Clause 26.

26.9 Until all amounts which may be or become payable:

(a) by Kosmos to the Seller under the Guaranteed Obligations have been irrevocably paid in full:

(i) the Kosmos Guarantor will not make demand for the payment of any sum from Kosmos connected with or in relation to the sum demanded by the Seller or claim any set-off or counterclaim against Kosmos;

(ii) if Kosmos is insolvent or in liquidation, the Kosmos Guarantor will not prove in any such insolvency or liquidation in competition with the Seller;

(iii) the Seller shall not be obliged to apply any sums held or received by it from the Kosmos Guarantor towards payment of Kosmos's obligations; and

(iv) the Kosmos Guarantor will not exercise any rights which it may have to be indemnified by the Seller or otherwise claim from the Seller any sums which may be owing to it from the Seller.

(b) by the Seller to the Purchasers under or in connection with this Agreement and any other Transaction Document have been irrevocably paid in full:

(i) the Seller Guarantor will not make demand for the payment of any sum from the Seller connected with or in relation to the sum demanded by the Purchasers or claim any set-off or counterclaim against the Seller;

(ii) if the Seller is insolvent or in liquidation, the Seller Guarantor will not prove in any such insolvency or liquidation in competition with the Purchasers;

(iii) the Purchasers shall not be obliged to apply any sums held or received by them from the Seller Guarantor towards payment of the Seller's obligations; and

(iv) the Seller Guarantor will not exercise any rights which they may have to be indemnified by the Purchasers or otherwise claim from the Purchaser any sums which may be owing to it from either Purchaser.

26.10 The Kosmos Guarantor undertakes to hold any security taken from Kosmos in connection with the Kosmos Guarantee and any monies or rights received by the Kosmos Guarantor from Kosmos as trustee on trust for the Seller pending discharge in full of all of the Kosmos Guarantor's obligations under the Kosmos Guarantee.

26.11 The Seller Guarantor undertakes to hold any security taken from the Seller in connection with the Seller Guarantee and any monies or rights received by the Seller Guarantor from the Seller as trustee on trust for the Purchasers pending discharge in full of all of the Seller Guarantor's obligations under the Seller Guarantee.

26.12 The Seller Guarantor agrees that:

(a) if any payment received by the Purchasers from the Seller in relation to its obligations under this Agreement is avoided or set aside on the subsequent insolvency or liquidation of the Seller any amount received by the Purchasers and subsequently repaid, shall not discharge or diminish the liability of the Seller Guarantor under this Clause 26, and this Clause 26 shall apply as if such payment had at all times remained owing by the Seller; and

(b) after a demand has been made by the Purchasers under this Clause 26 and until the amount demanded has been paid in full, the Purchasers may take such action as it thinks fit against the Seller to recover all sums due and payable to it under this Agreement, without affecting the obligations of the Seller Guarantor under this Clause 26.

26.13 The Kosmos Guarantor agrees that:

(a) if any payment received by the Seller from Kosmos in relation to its obligations under this Agreement is avoided or set aside on the subsequent insolvency or liquidation of Kosmos any amount received by the Seller and subsequently repaid, shall not discharge or diminish the liability of the Kosmos Guarantor under this Clause 26, and this Clause 26 shall apply as if such payment had at all times remained owing by Kosmos; and

(b) after a demand has been made by the Seller under this Clause 26 and until the amount demanded has been paid in full, the Seller may take such action as it thinks fit against Kosmos to recover all sums due and payable to it under this Agreement, without affecting the obligations of the Kosmos Guarantor under this Clause 26.

26.14 The Kosmos Guarantor warrants to the Seller as of the Execution Date and as of the Completion Date in the terms of Clause 10.2(a) to 10.2(d) (inclusive) (with all references to "the Seller" and/or the "Group Companies" deemed to be references to the "Kosmos Guarantor").

26.15 The Seller Guarantor warrants to the Purchasers as of the Execution Date and as of the Completion Date in the terms of Clause 10.2(a) to 10.2(d) (inclusive) (with all references to "the Seller" and/or the "Group Companies" deemed to be references to the "Seller Guarantor").

27. Confidentiality

27.1 Save as expressly provided in Clause 27.3, the Seller shall and shall procure that each member of the Retained Group shall treat as confidential the provisions of the Transaction Documents, all information they possess relating to each Group Company and all information they have received or obtained relating to the Purchasers' Group as a result of negotiating or entering into the Transaction Documents.

27.2 Save as expressly provided in Clause 27.3, each Purchaser shall, and shall procure that each member of its Group shall, treat as confidential the provisions of the Transaction Documents and all information it has received or obtained about the Retained Group as a result of negotiating or entering into the Transaction Documents.

27.3 A Party may disclose, or permit the disclosure of, information which would otherwise be confidential if and to the extent that it:

(a) is disclosed to Representatives of that Party or its Affiliates, if this is reasonably required in connection with this Agreement (and provided that such persons are required to treat that information as confidential);

(b) is required to do so by law or any securities exchange, or by compulsory process issued by any Governmental or Regulatory Authority or Taxation Authority;

(c) was already in the lawful possession of that Party or its Representatives without any obligation of confidentiality (as evidenced by written records);

(d) comes into the public domain other than as a result of a breach by a Party of this Clause 27;

(e) lawfully comes into the possession of that Party, its Affiliates or their Representatives from a third party that expressly represents that it has the right to disseminate such information at the time it is acquired by such Party; or

(f) receives prior written consent to the disclosure from the other Party,

provided that prior written notice of any confidential information to be disclosed pursuant to this Clause 27 shall be given to the other Parties at least five business days in advance of the disclosure and their reasonable comments taken into account in good faith.

27.4 The confidentiality restrictions in Clauses 27.1 to 27.3 shall continue to apply after the termination of this Agreement without limit in time.

27.5 The Parties acknowledge and agree that, to the extent applicable, the Purchasers shall also be bound by the provisions of the Confidentiality Agreement in respect of any “Confidential Information” (as that term is used and defined in the Confidentiality Agreement) that relates to any member of the Retained Group (other than the Seller), which shall remain in force and full effect in accordance with its terms. If there is any inconsistency between this Agreement and the Confidentiality Agreement, this Agreement shall prevail.

28. Costs and expenses

28.1 Each Party shall pay its own costs and expenses in relation to the negotiations leading up to the sale and purchase of the Shares and the preparation, execution and carrying into effect of this Agreement and the other Transaction Documents. Each Party shall bear and pay the costs and expenses of any advisers, consultants, investment bankers or other parties hired by it in connection with the transaction contemplated in this Agreement and the other Transaction Documents.

28.2 Each Purchaser shall bear fifty percent (50%) of all stamp duty, stamp duty reserve Tax or other documentary or transaction duties imposed by any Tax Authority of the Cayman Islands, arising as a result or in consequence of this Agreement (or any other Transaction Document) or of its implementation (including, but not limited to, any Registrar's fees related to the transfer of Shares envisaged in this Agreement).

29. Counterparts

This Agreement may be executed in counterparts and shall be effective when each Party has executed and delivered a counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute one and the same instrument.

30. Severance and validity

If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent

and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

31. Variations

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of the Parties.

32. Remedies and waivers

32.1 No waiver of any right under this Agreement or any other Transaction Document shall be effective unless in writing. Unless expressly stated otherwise a waiver shall be effective only in the circumstances for which it is given.

32.2 No delay or omission by any Party in exercising any right or remedy provided by law or under this Agreement, except in relation to any right or remedy contained in Clause 11 (*Seller's Limitations on Liability*), shall constitute a waiver of such right or remedy.

32.3 The single or partial exercise of a right or remedy under this Agreement shall not preclude any other nor restrict any further exercise of any such right or remedy.

32.4 The rights and remedies provided in this Agreement are cumulative and do not exclude any rights or remedies provided by law except as otherwise expressly provided.

32.5 No Double Recovery

A Party shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once in respect of any one shortfall, damage, deficiency, breach or other set of circumstances which gives rise to one or more claim under this Agreement. For the purposes of this Clause 32.5, recovery by any Group Companies following Completion shall be deemed to be recovery by the Purchasers.

32.6 Exclusion of Limitations

Nothing in this Agreement shall apply to limit a claim under this Agreement that arises or is delayed as a result of fraud or Wilful Misconduct by a Party, any other member of a Group, the Retained Group or any Group Company or any of their respective officers or employees.

32.7 Consequential Loss

Notwithstanding anything to the contrary contained in this Agreement, in no event shall a Party be liable to another Party for

any claims for liabilities for any actual or expected:

(a) indirect or consequential loss of profits;

(b) loss of revenue, loss of goodwill, loss of opportunity, or loss of business, in each case that are indirect or consequential; or

(c) any other special, indirect or consequential loss.

33. Third party rights

33.1 Save as expressly provided in Clause 33.2, a person who is not a Party or its successor or permitted assignee shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of the terms of this Agreement.

33.2 Clauses 9 (*Post-completion covenants*), 10 (*Seller's warranties*), 12 (*Purchasers' warranties and undertakings*), 13 (*Environmental indemnity),* 18.2 (*Access*), 20 (*Assurance*), 25 (*Announcements*) and 27 (*Confidentiality*) are intended to benefit members of the Retained Group and Clause 23 (*Entire agreement*) is intended to benefit a Party's Related Persons, and each such Clause shall be enforceable by any of them under the Contracts (Rights of Third Parties) Act 1999, subject to the other terms and conditions of this Agreement.

33.3 The Parties may amend or vary this Agreement in accordance with its terms without the consent of any other person.

34. Governing law and jurisdiction

34.1 This Agreement, including any non-contractual obligations arising out of or in connection with this Agreement and any and all other agreements and instruments executed and other documents delivered pursuant hereto, are governed by and shall be construed in accordance with English law.

34.2 The Parties agree that any claim, dispute or difference of whatever nature arising under, out of or in connection with this Agreement (including a claim, dispute or difference regarding its existence, termination or validity or any non-contractual obligations arising out of or in connection with this Agreement) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the London Court of International Arbitration ("**LCIA**") Rules (the "**Rules**") as in force at the date of this Agreement and as modified by this Clause, which Rules shall be deemed incorporated into this Clause. The number of arbitrators shall be three, one of whom shall be nominated by the claimant(s), one by the respondent(s) and the third of whom, who shall act as presiding arbitrator shall be nominated by the two party-nominated arbitrators, provided that if the third arbitrator has not been nominated within thirty days of the nomination of the second party-nominated arbitrator, such third arbitrator shall be appointed by the LCIA Court. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply. The Emergency Arbitrator provisions in Article 9B of the Rules shall not apply. Notwithstanding any inconsistencies with the Rules, a Request for Arbitration must be served on all other Parties to the dispute in accordance with Clause 24 (*Notices*) of this Agreement.

34.3 In order to facilitate the comprehensive resolution of related disputes, all claims between any of the Parties that arise out of or in connection with this Agreement any other Transfer Document or other instrument executed pursuant to this Agreement, or any of the Assets Documents may be brought in a single arbitration. Upon the request of any Party to an arbitration commenced pursuant to Clause 34.2 (an "**Arbitration**"), the arbitral tribunal shall consolidate the Arbitration with any other arbitration proceeding relating to this Agreement, any other Transfer Document or other instrument executed pursuant to this Agreement, or to any of the Assets Documents, and in respect of which the arbitral tribunal was constituted after the constitution of the arbitral tribunal in the Arbitration, if either:

(a) all parties concerned agree; or

(b) the arbitral tribunal determines that (i) there are issues of fact or law common to the two proceedings so that a consolidated proceeding would be more efficient than

separate proceedings; and (ii) no party would be prejudiced as a result of such consolidation through undue delay or otherwise.

In the event of an order for consolidation, (i) where the parties in the two proceedings are identical, the tribunal constituted first in time shall serve as the arbitral tribunal for the consolidated arbitration and (ii) where the parties in the two proceedings are not identical, a new arbitral tribunal for the consolidated arbitration shall be constituted in accordance with the provisions of Clause 34.2. Where a new tribunal is so constituted, for the avoidance of doubt, any rulings, directions or orders made by the arbitral tribunal constituted first in time, with the exception of outstanding orders for costs, will be of no effect. For the purpose of the constitution of the arbitral tribunal under this provision, and without prejudice to any party's rights under applicable limitation periods, the consolidated arbitration will be considered to have been commenced on the date of receipt by all the parties of the order for consolidation.

34.4 The Parties agree that before the constitution of the arbitral tribunal, any party to an Arbitration may effect joinder by serving notice on any party to this Agreement, the Transfer Documents or any instrument executed pursuant to this Agreement, or any one of the Assets Documents whom it seeks to join, provided that such notice is also sent to all other parties to the Arbitration and the LCIA Court within 30 days of service of the Request for Arbitration. The joined party will become a claimant or respondent party (as appropriate) in the Arbitration and participate in the arbitrator appointment process in Clause 34.2.

34.5 The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement.

34.6 The Parties irrevocably submit to the non-exclusive jurisdiction of the courts of England to support any arbitration pursuant to this Clause 34 including, if necessary, the grant of interlocutory relief.

35. Agent for service of process

35.1 The Seller and Seller Guarantor irrevocably appoint Maclay Murray & Spens LLP, Trident irrevocably appoints Trident Energy Management Limited (a company incorporated in England and Wales, with company number 10280693 and having its registered office at Suite 1, 3rd Floor 11-12 St. James's Square, London, United Kingdom, SW1Y 4LB), and Kosmos and the Kosmos Guarantor irrevocably appoints Capita Asset Services of 4th Floor, 40 Dukes Place, London EC3A 7NH, United Kingdom, in each case as its agent for service of process in England.

35.2 If any person appointed as agent for service of process ceases to act as such the relevant Party shall immediately appoint another person to accept service of process on its behalf in England and notify the other Parties of such appointment. If it fails to do so within ten (10) Business Days the other Parties shall be entitled by notice to the relevant Party to appoint a replacement agent for service of process.

36. Purchaser Obligations are several

The liability and obligation of each Purchaser under this Agreement is several, not joint, and neither Purchaser shall have any liability or obligation arising out of a breach by another Purchaser of its obligations, representations, warranties or covenants in this Agreement.

In Witness Whereof each Party has executed this Agreement, or caused this Agreement to be executed by its duly authorised representatives.

Schedule 1

(Details of the Group Companies)

Part 1
(Details of the Company)

Company name : Hess International Petroleum, Inc.

Date of incorporation and place of incorporation

: 8 September 1994, Cayman Islands

Registration number : 55991

Registered office address : Sterling Trust (Cayman) Limited, Whitehall House,
238 North Church Street, PO Box 1043, George Town, Grand Cayman, KY1-1102,
Cayman Islands

Type of company : Exempted company with limited liability Authorised share capital : USD 50,000 consisting of 50,000 ordinary shares
with a nominal value of USD 1 each

Shareholding of the Seller : 100%

Shareholder – number of issued shares

: Seller - 35,001 ordinary shares with a nominal value of USD 1 each (subject to Clause 5.6)

Directors : Gregory P Hill, John P Rielly, John B Hess and Timothy B Goodell (4)

Part 2
(Details of the Subsidiary)

Company name : Hess Equatorial Guinea, Inc.

Date of incorporation and place of incorporation

: 30 September 1996, Cayman Islands

Registration number : 68666

Registered office address : Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, PO Box 1043, George Town, Grand Cayman, KY1- 1102, Cayman Islands

Type of company : Exempted company with limited liability

Authorised share capital : USD 5,000,000.00 divided into 500,000 ordinary shares with a nominal value of USD 10 each

Shareholding of the Company : 100%

Shareholder – number of issued shares : Company - 100,001 ordinary shares with a nominal value of USD 10 each

Directors : Gregory P Hill, John P Rielly, John B Hess and Timothy B Goodell (4)

Schedule 2

(Completion Arrangements)

Part 1
(Seller's Obligations)

At Completion, the Seller shall:

1. execute and deliver to the Purchasers counterparts of the Transaction Documents to be executed by the Seller at Completion and procure the execution and delivery of those Transaction Documents (if any) to which a member of the Retained Group or a related person or the Company is a party; and

2. deliver to the Purchasers:

Accounts

2.1 a copy of the Initial Statement of Accounts;

Authorisations

2.2 a certified copy of each power of attorney under which any document to be delivered to the Purchasers has been executed (if any);

2.3 a copy of the minutes of the meeting of the board of directors (and, where required under applicable law or the relevant entity's constitutional documents, of the members) of the Seller, the Seller Guarantor, the Company and the Subsidiary (or its equivalent) duly authorising: (x) the execution of this Agreement and other Transaction Documents to which each is a party; and (y) the matters contemplated by this Agreement and the Transaction Document to which each is party (including, without limitation, (i) the transfer of fifty percent (50%) of the Shares from the Seller to Trident and fifty percent (50%) of the Shares from the Seller to Kosmos; (ii) the issue of a share certificate in the name of the Trident in respect of fifty percent (50%) of the Shares and a share certificate in the name of the Kosmos in respect of fifty percent (50%) of the Shares in each case relating to individually numbered shares; (iii) the changes in the Company's and the Subsidiary's directors (and for this purpose the Purchasers shall notify the Seller of the incoming directors no later than ten Business Days prior to Completion); and (iv) the change in the Company's and the Subsidiary's registered office);

Director and Officer Documents

2.4 letters of resignation signed by all the directors of the Company and of the Subsidiary, substantially in the form of Schedule 4 (*Form of Resignation Letter*) (the "**Outgoing Directors and Officers**");

2.5 a certified copy (certified by the registered office service provider of the Company) of the register of directors and officers of the Company maintained by (or on behalf of) the Company as updated to record the registration therein, as at Completion, of (x) the resignation of the Outgoing Directors and Officers of the Company and (y) the appointment of each Director and each Officer to the Company nominated by the Purchasers;

2.6 a certified copy (certified by the registered office service provider of the Subsidiary) of the register of directors and officers of the Subsidiary maintained by (or on behalf of) the Subsidiary as updated to record the registration therein, as at Completion, of (x) the

resignation of the Outgoing Directors and Officers of the Subsidiary and (y) the appointment of each Director and each Officer to the Subsidiary nominated by the Purchasers;

Registered Office Documents

2.7 evidence that the registered office of the Company and the Subsidiary have been changed from their existing location to such registered office(s) (located in the Cayman Islands) as the Purchasers shall notify the Seller in writing no later than ten Business Days prior to Completion;

Register of Mortgages and Charges

2.8 a certified copy (certified by the registered office service provider of the Company or the Subsidiary, as applicable) of the register of mortgages and charges of the Company and of the Subsidiary;

Share Documents

2.9 a copy of the share transfer instruments executed by the Seller for the purposes of transferring fifty percent (50%) of the Shares to Kosmos' share account and fifty percent (50%) of the Shares to Trident's share account;

2.10 each share certificate as previously issued in the name of the Seller in respect of the Shares, each such share certificate being duly cancelled;

2.11 a share certificate in the name of the Trident in respect of fifty percent (50%) of the Shares and a share certificate in the name of the Kosmos in respect of fifty percent (50%) of the Shares;

2.12 a certified copy (certified by the registered office service provider of the Company) of the register of members of the Company maintained by (or on behalf of) the Company as updated to record the registration therein, as at Completion, of the transfer of fifty percent (50%) of the Shares from the Seller to Trident and fifty percent (50%) of the Shares from the Seller to Kosmos;

2.13 a share certificate in the name of the Company in respect of one hundred percent of the Subsidiary Shares;

2.14 a certified copy (certified by the registered office service provider of the Subsidiary) of the register of members of the Subsidiary maintained by (or on behalf of) the Subsidiary recording the registration of the Company as the holder of one hundred per cent (100%) of the Subsidiary Shares; and

Other

2.15 the assessment issued in respect of the Subsidiary in accordance with clause 3 of the Settlement Agreement.

The Seller shall, as soon as reasonably practicable following Completion but no later than 5:00 p.m. (local time in the Cayman Islands) on the Completion Date, deliver to the new registered office of the Company and the Subsidiary as notified to the Seller in accordance with paragraph 2.7 above:

1. originals of the registers referred to in paragraphs 2.5, 2.6, 2.8, 2.12 and 2.14 above;

2. the certificate of incorporation of the Company and of the Subsidiary;

3. each certificate of incorporation on change of name of the Company and of the Subsidiary;

4. the memorandum of association of the Company and of the Subsidiary;

5. the articles of association of the Company and of the Subsidiary;

6. a certificate of good standing in respect of the Company and of the Subsidiary to be dated within twenty (20) days of Completion or such other date as is nominated by the Purchasers;

7. the minutes of all meetings of, and all resolutions consented to by, the directors, members, committees of directors and committees of members of the Company and of the Subsidiary;

8. the tax exemption certificate of the Company and of the Subsidiary; and

9. all common seal(s) of the Company and of the Subsidiary.

Part 2
(Purchaser's Obligations)

At Completion, each Purchaser shall:

1. procure that fifty percent (50%) of the Initial Adjusted Consideration shall be transferred to the Seller's Designated Account by wire transfer in immediately available cleared funds and shall deliver to the Seller SWIFT confirmations (in a form satisfactory to the Seller) that the payment of the above stated amount has been made pursuant to this Agreement;

2. execute and deliver to the Seller or the Seller's Lawyers the Transaction Documents to be signed by it or any relevant member of its Group or a Related Person;

3. deliver to the Seller or the Seller's Lawyers:

3.1 a copy of the minutes of the meeting of the board of directors of it and the Kosmos Guarantor (or the equivalent of the board of directors) and any other necessary corporate approvals authorising its execution of this Agreement and other Transaction Documents to which each is a party;

3.2 a certified copy of each power of attorney under which any document to be delivered to the Seller has been executed by it (if any); and

3.3 a copy of the share transfer instructions executed by it for the purpose of transferring fifty percent (50%) of the Shares to its share account.

Schedule 3

(Seller's Limitations on Liability)

1. Purchasers' Knowledge (actual, constructive and imputed)

1.1 The Seller shall not be liable to a Purchaser in respect of a Claim (other than a Claim for breach of a Title Warranty) to the extent that the facts and circumstances giving rise to such Claim were:

(a) Disclosed before the execution of this Agreement or, in respect of matters arising between execution of this Agreement and Completion, Disclosed before Completion; or

(b) otherwise known at the date of this Agreement by it or any member of its Group.

1.2 If a Purchaser (or any member of its Group or any of their respective Representatives) becomes aware of a matter which might reasonably give rise to a Claim, the Seller shall not be liable to that Purchaser in respect of it unless written notice of all relevant facts is given by that Purchaser to the Seller as soon as practicable following their so becoming aware and in any event within

thirty (30) days of such event. If the matter is capable of remedy, the Purchasers shall only be entitled to compensation if the matter is not remedied within thirty (30) days after the date on which such notice served on the Seller.

2. Limitations on Quantum

2.1 The liability of the Seller in respect of any Claim:

(a) shall not arise unless and until the amount of such Claim exceeds five hundred thousand Dollars (USD 500,000) (in which case the liability of the Seller shall be for the full amount of the Claim);

(b) shall not arise unless and until the amount of all Claims for which it would, in the absence of this provision, be liable exceeds fifteen million Dollars (USD 15,000,000) less an amount equal to the aggregate of any and all Losses suffered or incurred by the Company and/or the Subsidiary arising out of, relating to or attributable to the MMH Inspection and the Seadrill Claim up to an aggregate amount of two million, five hundred thousand Dollars (USD 2,500,000) (in which case the liability of the Seller shall be for the full amount of the Claim); and

(c) shall not (when aggregated with the amount of all other Claims) exceed thirty-five per cent (35%) of the Initial Consideration, other than the liability of the Seller in respect of any Title Warranty which shall not exceed one hundred per cent (100%) of the Initial Consideration.

3. Time Limits

3.1 The Seller shall not be liable in respect of any Claim (other than an Environmental Indemnity Claim or in respect of a Tax Warranty or an ABC Warranty) unless written notice containing full details of such Claim is given by or on behalf of a Purchaser to the Seller by no later than eighteen (18) months from the Completion Date provided that any such Claim shall (if not previously satisfied, settled or withdrawn) be deemed to have been withdrawn and the Seller shall have no liability for such Claim unless arbitration proceedings in respect of it have been properly issued and validly served within six (6) months of such written notice being given to the Seller.

3.2 The Seller shall not be liable in respect of any Environmental Indemnity Claim unless written notice containing full details of such Environmental Indemnity Claim is given by or on behalf of the Purchaser to the Seller by no later than three (3) years from the Completion Date provided that any such Claim shall (if not previously satisfied, settled or withdrawn) be deemed to have been withdrawn and the Seller shall have no liability for such Claim unless arbitration proceedings in respect of it have been properly commenced within six (6) months of such written notice being given to the Seller.

3.3 The Seller shall not be liable for a Claim in respect of any Tax Warranty or ABC Warranty unless written notice containing full details of such Claim is given by or on behalf of the Purchaser to the Seller by no later than five (5) years from the Completion Date provided that any such Claim shall (if not previously satisfied, settled or withdrawn) be deemed to have been withdrawn and the Seller shall have no liability for such Claim unless arbitration proceedings in respect of it have been properly commenced within six (6) months of such written notice being given to the Seller.

4. Allowances, Provisions or Reserves

The Seller shall not be liable for any Claim to the extent that allowance, provision or reserve has been made in the Accounts for the matter giving rise to such Claim (but only to the extent of such allowance, provision or reserve).

5. Contingent Liability

The Seller shall not be liable for any Claim based upon a liability which is contingent unless and until such contingent liability becomes an actual liability.

6. Retrospective Legislation

The Seller shall not be liable for any Claim to the extent that the Claim arises (or is increased) as a result of any change in any legislation or any change in the practice (including the withdrawal of any extra-statutory concession) of any Tax Authority or in the judicial interpretation of the law on or after the date of this Agreement.

7. Voluntary Acts or Omissions

The Seller shall not be liable to a Purchaser for any Claim to the extent that Claim arises or increases directly or indirectly as a result of any voluntary act or omission of any member of that Purchaser's Group (including, following Completion, the Group Companies) after the date of this Agreement.

8. Cease in Ownership

The Seller shall not be liable to a Purchaser for any Claim arising out of an event, matter, circumstance, act or omission in respect of the Group Companies which occurs after such Group Companies have ceased to be subsidiaries of that Purchaser or of any other member of its Group.

9. Reliefs

The Seller shall not be liable for any Claim to the extent that any Tax relief or other deduction arising before Completion is available (or would be available upon the making of a Claim by the relevant Group Company) to reduce or otherwise mitigate the liability of the Group Company which is the subject of such Claim.

10. Duty to Mitigate

The Purchasers shall mitigate any loss or damage which it may suffer as a result of a breach by the Seller of this Agreement or as a result of any fact, matter, event or circumstance likely to give rise to a Claim.

11. Loss Otherwise Compensated

11.1 The Seller shall not be liable to a Purchaser for any Claim to the extent that:

(a) the matter giving rise to such Claim has been (or is capable of being) made good or is (or is capable of being) otherwise compensated for without loss to that Purchaser; or

(b) the Claim is recoverable under any insurance policy.

11.2 In assessing a Claim, corresponding savings by, or net benefits to, the Purchaser's Group shall be taken into account (including the amount by which Taxation is actually saved as a result of the Loss which is the subject of the Claim).

12. Recovery from Third Parties

Where a Purchaser is entitled to recover from any other person an amount in respect of any matter relating to a Claim, that Purchaser shall promptly notify the Seller in writing and use its reasonable endeavours to recover such amount. The Purchaser shall keep the Seller fully informed of the progress of such recovery and shall provide copies of all relevant correspondence and documentation. Upon recovery of such amount the Purchaser shall:

12.1 deduct the full amount from the Claim (if the entitlement of the Purchaser to recover arose before payment is made by the Seller under the Claim); or

12.2 repay to the Seller the lesser of such amount paid by the Seller to the Purchaser under the Claim or the full amount recovered by that Purchaser (if the entitlement to recover arose after payment had been made by the Seller under the Claim).

13. Conduct of Claims

If a Purchaser or any member of its Group becomes aware of any matter which may result in a claim being brought against it by another person (a "**Third Party Claim**") which may lead to a Claim, that Purchaser shall and shall procure that each member of its Group shall:

13.1 make no admission of liability or settle or compromise the Third Party Claim without the prior consent in writing of the Seller such consent not to be unreasonably withheld or delayed provided that it will take all reasonable action to mitigate any loss that may arise in respect of any resulting Claim;

13.2 for the duration of the Third Party Claim keep the Seller reasonably informed of all material developments in relation to the Third Party Claim within its knowledge (including reasonable access to premises and personnel and the right to examine and copy at the Seller's costs and expense all relevant documents and records);

13.3 subject to the Purchaser being indemnified by the Seller against all reasonable costs which may be incurred by reason of such action, the Purchaser shall consult with and follow the instructions of the Seller in relation to all matters connected with the Third Party Claim and take all such action as the Seller may reasonably request in relation to the Third Party Claim, including commencing, conducting, defending, resisting, settling, compromising or appealing against any proceedings; and

13.4 subject to paragraph 13.5, permit the Seller at its own cost and expense to have sole conduct of the Third Party Claim and permit the Seller to take such action as it decides is necessary at any time and in its sole discretion to avoid, defend, dispute, mitigate, appeal, settle or compromise the Third Party Claim.

13.5 The Seller shall not be entitled to take sole conduct of a Third Party Claim in accordance with paragraph 13.4 to the extent such Third Party Claim has been brought against the Purchaser or Group Company by the EG Government or any Governmental or Regulatory Authority of the Republic of Equatorial Guinea, save that where such Third Party Claim has been brought by a Tax Authority or an Environmental authority the Seller and the Purchasers shall:

(a) ensure that the other Parties are kept fully informed of the progress of any such Third Party Claim;

(b) ensure that the other Parties receive copies of, or extracts from, all material written correspondence to or from any relevant Tax Authority or Environmental authority which has brought the relevant Third Party Claim; and

(c) consult with each other (in good faith and from time to time) as to the appropriate steps to be taken in relation to the conduct of any such Third Party Claim including any decision

to avoid, defend, dispute, mitigate, appeal, settle or compromise the Third Party Claim (provided that in circumstances where there is any disagreement between the Seller and the Purchasers (each acting reasonably) with regard to any step proposed to be taken in relation to the conduct of such a Third Party Claim, the Purchasers shall be entitled to take, or procure that there is taken, such step as they consider to be appropriate).

14. Purchaser's diligence

Each Purchaser acknowledges that it is an experienced, sophisticated buyer and has conducted its own investigation with respect to the acquisition of the Group Companies.

Schedule 4

(Form of Resignation Letter)

To: Hess International Petroleum, Inc.
Hess Equatorial Guinea, Inc.

Address: Sterling Trust (Cayman) Limited,
Whitehall House, 238 North Church Street, PO Box 1043, George Town,
Grand Cayman, KY1-1102, Cayman Islands

[___] 2017

Dear Sirs,

I, [●] hereby resign as a Director and (if appointed as officer) officer of Hess International Petroleum, Inc., (registration number 5991) and Hess Equatorial Guinea, Inc. (registration number 68666), each having its registered office at Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, PO Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands, (the "**Companies**") with immediate effect.

I acknowledge that I have no claim whatsoever against the Companies in respect of fees, remuneration, expenses, compensation for loss of office, or otherwise arising from my resignation as a director and officer of the Companies, except only for any accrued remuneration and for any reimbursable business expenses incurred up to and including the date of this deed. To the extent that any such claim exists or may exist, I irrevocably and unconditionally waive such claim and release the Companies from any liability in respect thereof. I confirm that no arrangement is outstanding under which the Companies have or may have any obligation to me.

For the avoidance of doubt however, all other terms and conditions under my employment contract dated [●] with [●] (the "**Employment Contract**") will remain unaltered by this letter and any actual or potential claim (whether contractual, statutory or otherwise) in connection with my Employment Contract (notwithstanding my resignation as a director and officer of the Companies) pursuant to this letter) will continue in effect until terminated in accordance with the terms therein.

This deed and all contractual and non-contractual obligations arising out of it shall be governed by and construed in accordance with English law.

In witness whereof, this letter is executed as a deed on the date first mentioned.

EXECUTED as a **DEED** by

[*Name of director*]

in the presence of: ……

……. Witness

Name Address Occupation

Schedule 5

Part 1
(Initial Statement of Accounts Form)

		Column A	Column B
			Total
	Clause	Account	US$
Initial Consideration	4.1	x	
Permitted Equity Contributions	4.3(a)	x	
Permitted Dividends	4.3(b)	(x)	
Working Capital Amount	4.3(c)	x	
Amounts paid for benefit of Group Company subject to exceptions	4.3(d)	x	
Leakage other than Permitted Leakage	4.3(e)	(x)	
Interest to Completion Date			
Permitted Equity Contributions	4.3(f)	X	
Working Capital Amount	4.3(g)	X	
Permitted Dividends	4.3(h)	(x)	
Leakage other than Permitted Leakage	4.3(i)	(x)	
Initial Consideration	4.3(j)	X	
Initial Adjusted Consideration Due at Completion			**X**

Part 2
(Final Statement of Accounts Form)

		Column A	Column B
			Total
	Clause	Account	US$
Initial Consideration	4.1	x	
Permitted Equity Contributions	4.3(a)	x	
Permitted Dividends	4.3(b)	(x)	
Working Capital Amount	4.3(c)	x	
Amounts paid for benefit of Group Company subject to exceptions	4.3(d)	x	
Leakage other than Permitted Leakage	4.3(e)	(x)	

Interest to Completion Date

Permitted Equity Contributions	4.3(f)	x
Working Capital Amount	4.3(g)	x
Permitted Dividends	4.3(h)	(x)
Leakage other than Permitted Leakage	4.3(i)	(x)
Initial Consideration	4.3(j)	X

Final Adjusted Consideration as per Final Statement of Accounts X

Less Initial Adjusted Consideration Paid at Completion

4.3 (x)

Final Settlement Amount	4.6	x
Interest on Final Settlement Amount	4.6	x
Final Adjusted Consideration to/(from) Seller	4.6	**X**

Schedule 6

(Senior Managers)

Larry Coday (currently General Manager, Hess Equatorial Guinea, Inc., and former Senior Finance Manager, Offshore Americas & West Africa, Hess Corporation and former Planning Manager, Global Production Planning, Hess Corporation)

Dougie McMichael (Former West Africa Asset Director, Hess Corporation) Barsanulio Ndong Mifumu (Government Relations, Hess

Equatorial Guinea, Inc.) Peter Blair (Director of International Tax, Hess Corporation)

Mike Shu (Operations Manager, Hess Equatorial Guinea, Inc.)

Segismundo Mengue Nsue (Finance Manager, Hess Equatorial Guinea, Inc.)

Schedule 7 (Affiliate Contract)

1. International Transfer of Data Agreement dated 26 December 2009 between Hess Denmark ApS, Shannon LNG Limited, Hess Norge A/S, Hess Services UK Limited, Hess Energy Trading Company (U.K.) Limited and Hess Energy Power & Gas Company (U.K.) and Hess (Rhourde El Rhoun) Limited, Hess Exploration Australia Pty Ltd, Hess (ACG) Limited, Hess Brasil Petroleo Ltda, Hess Egypt West Mediterranean Limited, Hess Equatorial Guinea, Inc., Hess (Indonesia- Pangkah) Limited, Hess 'Libya Exploration Limited, Hess Oil & Gas Sdn Bhd, ZAO Samara - Nafta, Hess Energy Trading Company Singapore PTE. LTD., Hess Oil St Lucia Limited, Fisher Hess St Lucia Limited, Hess (Thailand) Limited, Hess Corporation, Hess Energy Trading Company, LLC, Hovensa L.L.C and Hovic Marketing Corp. Limited, as amended.

2. Master International Intercompany Staff Secondment Agreement dated 1 January 2010 between Hess Corporation, Hess Services UK Limited, Hess Norge A/S, Hess Denmark ApS, Hess Exploration Australia PTY Limited Hess (Indonesia- Semai V) Limited, Hess (Indonesia- South Sesulu) Limited, Hess (Malaysia- SB 302) Limited, Hess Oil Company of Thailand Ltd. Co., Hess Egypt West Mediterranean Limited (Cayman), Hess Equatorial Guinea Inc, Hess (GEA) Limited, Hess Libya (Waha) Limited, Hess Libya Exploration Libya, Hess (Indonesia-West Timor) Limited and Hess Oil Company of Thailand (JDA) Limited, amongst others, as amended.

3. Marketing Services Agreement dated 15 December 2016 between Hess International Sales LLC and Hess Equatorial Guinea, Inc.

4. Any payments properly due and payable by the Group Companies to either the Seller or any of its Affiliates (as applicable) in respect of general and administrative costs, actual time writing costs, and other costs, including in respect of any insurance costs, incurred by the Seller or any of its other Affiliates (as applicable) and made in the Ordinary Course of Business and in accordance with past practice.

Schedule 8 (Transitional Services Agreement Term Sheet)

Parties	1. Hess Equatorial Guinea, Inc. (to be renamed) ("**Subsidiary**") 2. Hess Equatorial Guinea Investments Limited ("**Seller**")
Term	• This Agreement shall enter into force on the date of Completion under the SPA and shall remain in full force and effect until the earlier of the signing of a Transition Services Agreement by the parties or the end of the month during which the 90th day after Completion occurs. Upon mutual agreement, the Parties may agree to extend the term of this Agreement in one month increments for a maximum of three additional months (or a maximum of six additional months for Services relating to ERP). Services may be terminated early by Subsidiary. To terminate early, Subsidiary must provide written notice to Seller at least 10 days prior to the end of a month or must pay the following month's Service Fee.
Services to be Provided	• Annex 1 shall be used as a framework for discussion in the Workshop (defined below) to set out the services to be provided by the Seller and the cost of those Services ("**Services**"). • Until otherwise agreed by the Parties, the Services shall include the work currently done on behalf of the Seller (within the most recent six months), including without limitation marketing, accounting, tax, finance, human resources, supply chain, information services and information technology, and which are generally identified in Annex 1, but specifically excluding geology, geophysics and reservoir engineering. • The parties may agree that the Seller will provide additional services to the Subsidiary. • Seller, its Affiliates and/or regular outside consultants or contractors which render Services shall employ its/their relevant tested know-how and technical and organizational experience in performing such Services. • Any Services provided by the Seller's Affiliates shall be provided on the terms of this Agreement until the Transition Services Agreement is entered into between the parties. • The Seller shall use its employees, employees of Seller's Affiliates and regular outside consultants or contractors to provide the Services. Any Services reasonably determined by Seller to be necessary in an emergency to protect health, safety, life or the environment, provided that Seller will notify Subsidiary as soon as practicable of any such emergency.
Process for Requesting Services	• Subsidiary shall provide Seller with a written request for the Services as soon as practicable, including details of the exact Service to be provided and expected duration for

	each Service and reasonable guidance on Subsidiary's needs for specific individuals. Where the Subsidiary requests services that are additional to the Services set out in Annex 1 the Seller shall confirm in writing whether it will perform these additional services and the additional cost for such services.
Cost of Services	• Unless otherwise agreed, the monthly cost for the Services shall be $2,100,000. ("**Service Fee**"). Subsidiary may notify Seller of specific services to be excluded, and the parties will negotiate in good faith to agree to a reduction to the Service Fee that is consistent with that reduction in Services and with the costs reflected in the cost tracker (such negotiation to include any related or similar Services that Seller reasonably believes should be excluded alongside the Services to be excluded as requested by Subsidiary). For avoidance of doubt, this Service Fee does not include reservoir engineering, geology or geophysics support. • Marketing costs to be charged in accordance with the Hess International Sales contract dated 15 December 2016. • Service Fee for Services performed for any partial calendar month, shall be prorated for the number of days the Services are performed in that month (based on a thirty-day calendar month). • The Service Fee is intended to compensate Seller fully for all direct, indirect, general and administrative and internal overhead costs only (including but not limited to internal office overhead, field overhead and employee salaries, whether or not such costs are cost-recoverable or billable under any applicable Operating Agreement), and there shall be no separate charges from Seller to Subsidiary for such expenses. • Subsidiary shall reimburse Seller for all reasonable and documented actual out-of-pocket costs and actual expenses incurred in the performance of Services. • Those costs and expenses incurred by the Seller prior to the Completion Date under the SPA, or immediately thereafter, in the normal handover of ownership shall not be charged to the Subsidiary under this Agreement. Subsidiary has the right to audit all costs billed to Subsidiary by the Seller in connection with the provision of the Services and any additional services within six months of the end of the term of the Transition Services Agreement or this term sheet.
Invoicing and Payment for Services	• Subsidiary will pay the Service Fee for each month on or before the 15th day of the month for which the Service Fee applies. If Completion occurs after the 12th day of a month, Subsidiary will pay for that partial month on or before the 15th day of the following month. Payment shall be notwithstanding Subsidiary's right to later audit any charges in an invoice. • Seller will invoice Subsidiary for any additional costs within 30 days of the end of each calendar month and

	payment will be due to Seller within 15 days of delivery of the invoice. Subsidiary will gross up all payments for any withholdings required by EG law, such that Seller is paid the full amount invoiced.
Currency	All amounts payable under this Agreement will be paid in US dollars.
Standard of Performance of Services	• Seller shall perform the Services in a good, competent, professional and safe manner consistent with recent past practice prior to Closing in accordance with applicable laws and regulations, standards and practices of the international petroleum industry, and under the supervision and direction of the Subsidiary, subject to the below. • Subsidiary must request any change in practice for any of the Services in writing to the Seller. The Seller may refuse any change at its reasonable discretion. • Subsidiary shall be responsible for any increase in costs incurred by the Seller, including any costs that would be part of the Service Fee, caused by any change in practice of any Service as requested by the Subsidiary. • Seller shall control the selection of staff to provide the Services provided that such staff shall have the required qualifications and experience to perform the Services. • Seller recognizes the value of continuity of staff in providing the Services and will make reasonable efforts to make the individuals identified in Annex 1 (if any) available to provide the Services; provided however, Seller shall be under no obligation to offer any retention, incentives or otherwise bear any increase in costs to do so, and further provided that Seller may consider its other business needs in determining which individuals are to be provided. In relation to Services where no individuals are specified, the Seller will use reasonable endeavors to maintain the current staff, to the extent practicable, but without diminishing the Seller's right to select its staff. Subsidiary reserves the right to provide services similar to the Services for itself or to obtain similar services from third parties and is under no obligation to request the Services from the Seller.
Indemnities	• A knock-for-knock indemnity between Subsidiary and Seller, regardless of cause, for all claims arising out of personal injury, illness, death, or property loss or damage by any member of each of Subsidiary's and Seller's group. • Subsidiary shall be liable for and indemnify Seller group from and against all claims arising out of personal injury, illness, death, or property loss or damage by any third party. Notwithstanding the previous sentence, Seller group shall be liable for and indemnify Subsidiary from and against all claims arising out of personal injury, illness, death, or property loss of damage by any third party, to the extent attributable to the Gross Negligence (as defined in the JOA) of Seller's Senior Supervisory Personnel (to be

	defined in the Transitional Services Agreement). • Neither party shall be liable for any consequential loss or damage. Subsidiary agrees to indemnify Seller for Equatorial Guinea taxes on Services provided under this Agreement.
Miscellaneous	• Confidentiality as per the SPA or as agreed • Governing Law – England and Wales Disputes resolved under LCIA as per SPA
Workshop	Parties agree to a meet within fifteen days of signing of SPA to further define the scope, cost and structure of this term sheet or to agree the Transition Services Agreement. This meeting will also define the timeline and/or milestones to transition away from Seller group's enterprise systems and licenses. Seller will discontinue providing email and Microsoft-related services as soon as practicable after Completion, and in any event before the expiration of the 90-day term of this Agreement. Seller will provide reasonable notice of that discontinuance. Seller and Subsidiary will discuss this timeline, and the needs of Subsidiary, at or before the Workshop.

Annex 1
Transition Services Agreement - Scope of Services

No.	Line item of Service	Term (if less than full term)	Service Provider (if not Subsidiar y)	Specific Individual (if any)
	Support and management of the Transition Services Seller (Hess) transition manager: Ryan Lamothe Subsidiary transition manager: Francois Raux (T); Taran Smith (K)	•	•	•
1.	[Operational services] Seller to provide Operational and EHS continuity to run the business as-is until designated hand-over dates of Operations Services and Support Services to Subsidiary Examples: • Operational management • Maintenance, Reliability and Integrity support to the business • Production Engineering support to the business • Design intent of systems and any known technical limitations of these systems, if required, beyond handover procedures • Shadowing period	•	•	•
2.	Crude marketing and sales services under PSC • Market entitlement for one lifting after Completion for buyers (Specifics to be discussed regarding timing of liftings, sales agreed prior to signing and during the interim period)	•	•	•
3.	Accounting Services: Seller's Houston Shared Services team to provide Accounting Services for Subsidiary in a manner substantially consistent with the applicable current general practices prior to the Execution Date. Examples: (i) payment of invoices and billing of same to Working Interest owners; (ii) collection of accounts receivable, including revenue and joint interest billings; (iii) disbursement of revenue proceeds to applicable third parties; (iv) maintaining the general ledger and accounts thereof	•	•	•
4.	[Hydrocarbon accounting]	•	•	•

5.	[Tax services] (To be discussed)	•	•	•
6.	[IT services] Examples: • Provide secure access to infrastructure and applications required to support day to day operations • SAP and related applications • Local Network connection • Telephone services • Desktop applications • Operations applications • Note: Seller is not obligated to provide Subsidiary with a license to use its proprietary or enterprise applications	•	•	•
7.	[Continuation of remediation and environmental response services] Examples: • Emergency Response and Crisis Management • Evacuation services • Security support • Transfer of EHS regulatory compliance information	•	•	•
8.	Vendor Management Supply Chain Management [Consultancy Services – access to Hess' retained employees to ensure an effective transition] • [Transfer of materials/contracts] • [Administration and closeout of Requisitions, POs, etc.] • Operational Logistics Management • Contract Management and project control	•	•	•
9.	Consultation and Availability of Employees • To provide reasonable access at reasonable	•	•	•

	times during normal business hours to employees for consultation concerning matters related to the Services while each such Service is being provided			

Signed for and on behalf
of **HESS EQUATORIAL GUINEA INVESTMENTS LIMITED**

.....
Authorised signatory

Signed for and on behalf
of **HESS CORPORATION** .....
Authorised signatory

Signed for and on behalf
of **KOSMOS ENERGY EQUATORIAL GUINEA** .....
Director / Authorised signatory

Signed for and on behalf
of **KOSMOS ENERGY OPERATING**

.....
Authorised signatory

Signed for and on behalf
of **TRIDENT ENERGY E.G.**
OPERATIONS, LTD. .....
Director / Authorised signatory

REPUBLIC OF COTE D'IVOIRE
Unity – Discipline - Labour

HYDROCARBONS
PRODUCTION SHARING AGREEMENT

BLOCK CI-526

21 December 2017

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AGREEMENT

BY AND BETWEEN

The Republic of Côte d'Ivoire, hereinafter referred to as the "Government," represented herein by the Minister of Petroleum, Energy and Development of Renewable Energies, **Mr. Thierry TANOH,** the Secretary of State to the Prime Minister in charge of the State Budget and Portfolio, **Mr. Moussa SANOGO**, and the Minister of Economy and Finance, **Mr. Adama KONE** , duly authorised to sign hereunder;

as the first party,

AND

BP Exploration Operating Company Limited], a company incorporated under the laws of England, headquartered at Chertsey Road, **Sunbury-on-Thames, Middlesex, TW16 7LN**, United Kingdom hereinafter referred to as "BP" and represented herein by **Mr. Andrew MCAUSLAN, Head of Business Development;**

KOSMOS ENERGY COTE D'IVOIRE, a company incorporated under the laws of Cayman Islands, headquartered on the 4th floor, Century Yard, Cricket Square, PO Box 32322 George Town, Grand Cayman, KY1, 1209, hereinafter referred to as " **KOSMOS**" and represented herein by **Mr. Brian F. Maxted, Chief Exploration Officer;**

PETROCI HOLDING, the Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire, hereinafter referred to as "**PETROCI**," an Ivoirian company headquartered at Immeuble Les Hévéas, 14, Boulevard CARDE, BP. V194 Abidjan Plateau and represented herein by its President, **Mr. Ibrahima DIABY**;

as the second party,

RECITALS

- In accordance with the provisions of article 2 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, all Fields or natural accumulations of Hydrocarbons in the soil or the subsoil of the Republic of Côte d'Ivoire territory, its territorial waters, its exclusive economic zone and continental shelf, whether or not discovered, are and remain the exclusive property of the State;

- The discovery and production of Hydrocarbons are important for the interests and economic development of the country and its inhabitants;

- In accordance with the provisions of article 5 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, the State may authorise Ivoirian or foreign legal entities to engage in the exploration, production, transport, storage, transformation and sale of

Hydrocarbons, pursuant to a petroleum contract entered into by and between these entities and the State;

- In accordance with the provisions of article 6 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, the State designated PETROCI to participate in the Petroleum Operations under this Agreement;

- The Government hopes to develop and promote the Delimited Region, and the Contractor wishes to cooperate with the Government by helping it explore and develop the potential resources of the Delimited Region and thereby encourage the economic expansion of the country;

- In accordance with Article 1 of Decree No. 2014-248 dated 8 May 2014 which delegated the powers to sign petroleum contracts, the Minister in charge of Petroleum, the Minister of Economy and Finance and the Minister in charge of the Budget have delegated powers to jointly sign the petroleum contracts on the Government's behalf;

- The Contractor states that it has the capital, technical capacity and organizational skills necessary to successfully perform the Petroleum Operations specified below in the Delimited Region;

- The Council of Ministers, in its session held on 20 December 2017, granted its approval for the signing of this Agreement;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1: DEFINITIONS

The terms used herein are defined as follows:

1.1. CALENDAR YEAR means a period of twelve (12) consecutive months beginning on the first (1st) of January and ending on the thirty-first (31st) of December thereafter, according to the Gregorian calendar.

1.2. CONTRACTUAL YEAR means a period of twelve (12) consecutive months beginning on the Effective Date, or the anniversary of said Effective Date.

1.3. FISCAL YEAR means a period of twelve (12) consecutive months beginning on the first (1st) of January and ending on the thirty-first (31) of December thereafter.

1.4. BARREL means "U.S. barrel," i.e., 42 U.S. gallons measured at a temperature of 60° F and at the atmospheric pressure of 14.696 p.s.i.a.

1.5. BUDGET means the quantified estimate, on an item-by-item basis, of the Petroleum Operations appearing in an Annual Work Program.

1.6. CCI has the meaning attributed to it in article 18.5.

1.7. GENERAL TAX CODE means the collection of the legislative and regulatory provisions of the Ivorian tax law which was codified by Law No. 63-524 of 26 December 1963, amended by article 45 of Law No. 2003-206 of 7 July 2003 setting the Finance Law for 2003, and which incorporates each year, after adoption of the Finance Law, the legislative and regulatory provisions affecting Ivorian tax law.

1.8. PETROLEUM CODE means Law No. 96-669 of 29 August 1996, which came into force on 29 August 1996, as amended and in force on the Effective Date.

1.9. COORDINATION COMMITTEE has the meaning attributed to it in article 37.1.

1.10. CONTRACTOR means, collectively or individually, **BP, KOSMOS** and **PETROCI**, as well as any entity to which they may assign an interest pursuant to articles 35.1 and 35.2.

On the Effective Date of this Agreement, the rights and obligations arising from this Agreement between the entities that make up the Contractor shall be based on the following participations:

BP: 45%
KOSMOS: 45%
PETROCI: 10%

1.11. AGREEMENT means this Agreement and the appendices hereto, which are an integral part hereof, as well as any extension, renewal, substitution or modification of this Agreement, decided by mutual agreement between the Parties.

1.12. PETROLEUM COSTS mean all expenses actually borne and paid by the Contractor to perform the Petroleum Operations set forth in this Agreement, determined according to the Accounting Procedure indicated in Appendix 2.

1.13. CPI has the meaning attributed to it in article 16.3.

1.14. EFFECTIVE DATE means the date on which the Agreement becomes effective, as defined in article 38.

1.15. DOLLAR means Dollar of the United States of America.

1.16. FORCE MAJEURE has the meaning attributed to it in article 33.2.

1.17. NATURAL GAS means methane, ethane, propane, butane and gaseous hydrocarbons, either wet or dry, whether or not associated with Crude Oil, as well as all other gaseous products extracted in association with the hydrocarbons, specifically nitrogen, hydrogen sulphide, carbon dioxide, helium and steam.

1.18. ASSOCIATED NATURAL GAS means the Natural Gas existing in a reservoir in solution with the Crude Oil, or in the form of a "gas cap" in contact with the Crude Oil, and which is produced or may be produced in association with the Crude Oil.

1.19. NON-ASSOCIATED NATURAL GAS means natural gas excluding Associated Natural Gas.

1.20. FIELD means an accumulation of Hydrocarbons, in one or more superimposed horizons that has been properly evaluated in accordance with the provisions of article 11.

1.21. HYDROCARBONS mean Crude Oil and Natural Gas.

1.22. TAXES AND/OR CHARGES means all compulsory, definitive and unrequited pecuniary payments required by the State or its branches from any individual or corporate person as a result of the exercise in the Republic of Côte d'Ivoire of an activity, the possession of property, capital, the performance of an act or use of a service, and includes any penalties that may be attached to such payments.
Duties and taxes include, but are not limited to, income taxes, taxes on industrial and commercial profits (Bénéfices Industriels et Commerciaux, or BIC), taxes on non-commercial profits (Bénéfices Non Commerciaux, or BNC), taxes on agricultural profits (Bénéfices Agricoles, or BA), General Income Tax (Impôt Général sur le Revenu, or IGR), Value Added Tax (Taxe sur la Valeur Ajoutée, or VAT), the tax on banking transactions, excise duties, property tax (tax on property and on income derived from property), the business license tax (Contribution des patentes), taxes on wages and salaries, and the various related levies made at source related thereto, registration and stamp duties, royalties, customs duties or taxes, and any other similar compulsory levies.

1.23. OPERATOR has the meaning attributed to it in article 2.8.

1.24. PETROLEUM OPERATIONS means all exploration, appraisal, development, production, abandonment, transport, processing (with the exception of refining) and marketing

of Hydrocarbons and, in general, any other operations directly related thereto, that are performed within the context of this Agreement.

1.25. ADDITIONAL PARTICIPATION has the meaning attributed to it in article 22.2.a).

1.26. INITIAL PARTICIPATION has the meaning attributed to it in article 22.1.

1.27. PARTIES means the Government and the Contractor; and **PARTY** means the Government, the Contractor, or any of the entities that make up the Contractor**.**

1.28. **APPRAISAL PERIMETER** means any portion of the Delimited Region where one of the Hydrocarbons discoveries has been made the size of which shall be evaluated, for which the Government has granted the Contractor an exclusive appraisal permit in accordance with the provisions of article 11.3.

1.29. **PRODUCTION PERIMETER** means any portion of the Delimited Region for which the Government has granted the Contractor an exclusive production permit in accordance with the provisions of article 12.

1.30. **CRUDE OIL** means crude mineral oil, asphalt, ozokerite and all sorts of Hydrocarbons and bitumens, either solid or liquid, in their natural state or obtained from Natural Gas by condensation or extraction, including condensate and liquid Natural Gas.

1.31. **CUBIC FOOT** means the quantity of Natural Gas contained in a volume of one (1) cubic foot measured at a temperature of 60° F and at an atmospheric pressure of 14.696 p.s.i.a.

1.32. **ABANDONMENT PLAN** has the meaning attributed to it in article 20.7.

1.33 POINT OF DELIVERY OF NATURAL GAS means a point of transfer agreed upon by the Parties at the time the development and production plan is submitted.

1.34 POINT OF DELIVERY OF CRUDE OIL means the F.O.B. point of connection between the loading facilities and the vessel loading the Crude Oil produced pursuant to this Agreement in the Republic of Côte d'Ivoire, or any other transfer point established by mutual agreement of the Parties.

1.35 MARKET PRICE has the meaning attributed to it in article 18.1.

1.36 REMAINING PRODUCTION has the meaning attributed to it in articles 16.3 and 21.3 applicable to Crude Oil and Natural Gas respectively.

1.37. **TOTAL PRODUCTION** means the Total Production of Natural Gas and the Total Production of Crude Oil.

1.38 TOTAL PRODUCTION OF NATURAL GAS means the total Natural Gas production from the Delimited Region as a whole less the quantities used for the needs of Petroleum Operations, unavoidable losses and, subject to the provisions of article 21.2.3, the quantities of Natural Gas that were burned.

1.39 TOTAL PRODUCTION OF CRUDE OIL means the total Crude Oil production obtained from the Delimited Region as a whole less the quantities used for the needs of Petroleum Operations and unavoidable losses.

1.40 DAILY TOTAL PRODUCTION OF NATURAL GAS has the meaning attributed to it in article 21.3.

1.41 DAILY TOTAL PRODUCTION OF CRUDE OIL has the meaning attributed to it in article 16.3.

1.42 ANNUAL WORK PROGRAM means the descriptive itemized document of the Petroleum Operations to be performed during a Calendar Year in the Delimited Region, and if applicable in each Production Perimeter, established in accordance with the provisions of articles 4 and 5.

1.43 BEST INDUSTRY PRACTICE means the good and prudent practices of the petroleum industry including in matters of, but is not limited to, preservation of the environment, of engineering, of well conservation and exploitation principles; of hygiene, of health, and of general safety used in the international petroleum industry under similar circumstances.

1.44. DELIMITED REGION means the area indicated in article 2.7 to which the Government, within the context of this Agreement, grants the Contractor exclusive exploration rights.

The areas relinquished by the Contractor in accordance with the provisions of articles 3.5 and 3.6 shall be considered as no longer a part of the Delimited Region which shall then be reduced accordingly. On the other hand, the Production Perimeter(s) and the Appraisal Perimeter(s) shall be an integral part of the Delimited Region during the term of validity of the corresponding exclusive production permit and the exclusive appraisal permit(s).

1.45. **AFFILIATED COMPANY** means:

- a company or any other entity that controls or is controlled, directly or indirectly, by any entity comprising the Contractor;
- or a company or any other entity that controls or is controlled, directly or indirectly, by a company or entity that itself directly or indirectly controls any entity comprising the Contractor.

Such "**control**" means direct or indirect ownership by a company or any other entity of more than fifty percent (50%) of the voting shares of capital stock of another company.

1.46. THIRD PARTY means any individual or legal entity, other than the Contractor, the State and the Government that is not within the context of the preceding definition at article 1.45.

1.47. CALENDAR QUARTER means a period of three (3) consecutive months beginning on the first day of January, April, July or October during a Calendar Year.

<u>ARTICLE 2:</u> SCOPE OF APPLICATION OF THE AGREEMENT

2.1. This Agreement is a Production Sharing Agreement governed by the provisions hereunder.

2.2. The Government authorises the Contractor, under the conditions set forth herein, to exclusively perform all of the Petroleum Operations that are appropriate and necessary within the context of this Agreement.

2.3. The Contractor undertakes to carry out all of the work necessary for performing the Petroleum Operations set forth in this Agreement, in accordance with Best Industry Practice, and to be subject to the laws and regulations in effect in the Republic of Côte d'Ivoire unless otherwise provided by the Agreement.
2.4. The Contractor shall provide all financial and technical means necessary for the proper development of the Petroleum Operations in accordance with the Best Industry Practice.

2.5. The Contractor shall solely assume the financial risk related to performing the Petroleum Operations. The related Petroleum Costs shall be recoverable by the Contractor in accordance with the provisions of article 16 and 21.

2.6. In the event of production, the Total Production resulting from the Petroleum Operations, during the period of validity of this Agreement, shall be shared between the Parties under the conditions defined in articles 16 and 21.

2.7. As of the Effective Date, the Delimited Region corresponds to the zone defined in Appendix 1.

2.8. As of the Effective Date the Government approves the appointment of:
- KOSMOS as operator ("**Operator**") in charge of directing and performing the Petroleum Operations in the name and on behalf of the Contractor from the Effective Date;
- BP as Operator in charge of directing and performing the Petroleum Operations in the name and on behalf of the Contractor from the first discovery of Hydrocarbons as notified in Article 11.1.

Any change in Operator shall be submitted to the Government in advance for approval.

The Operator, in the name and on behalf of the Contractor, shall send the Government all reports, information and data stipulated under this Agreement, and especially including the association agreement and all agreements relevant to the Petroleum Operations, as applicable, binding the entities comprising the Contractor.

ARTICLE 3: DURATION OF EXPLORATION PERIODS AND RELINQUISHED AREAS

3.1. The exclusive exploration permit is hereby granted to the Contractor for an initial exploration period of three (3) Contractual Years, for the entire Delimited Region, extended, if applicable, in accordance with the provisions of article 3.4.

3.2. If the Contractor, upon expiry of the initial exploration period indicated above, conditional on having met the exploration work commitments as defined in article 4.2, so requests, a second exploration period shall be authorised for three (3) Contractual Years from the expiration date of the first exploration period, extended, if applicable, in accordance with the provisions of article 3.4.

3.3. If the Contractor so requests, upon expiration of this second exploration period, conditional on having met the exploration work commitments as defined in article 4.3, so requests, a third exploration period shall be authorised for three (3) Contractual Years from the expiration date of the extended second exploration period, extended, if applicable, in accordance with the provisions of article 3.4.

3.4. The requests indicated in articles 3.2 and 3.3 shall be made at least sixty (60) days before expiration of the current exploration period.
If the expiration date of an exploration period occurs while the drilling of an exploration well or the production tests in an exploration well are being performed, or temporary or definitive work to abandon an exploration well is in progress, said exploration period shall be extended for the time necessary for the completion and well testing or abandonment work, provided that said extension does not exceed ninety (90) days. The Contractor shall notify the Government of said extension within seven (7) days prior to the normal expiration date of the current exploration period.

3.5. The Contractor shall have to relinquish at least the following areas:

a) twenty-five percent (25%) of the initial area of the Delimited Region upon expiration of the first exploration period; and
b) twenty-five percent (25%) of the initial area of the Delimited Region upon expiration of the second exploration period.

The area shall be relinquished in a simple geometric shape, i.e. an area of no more than 15 lines, bounded by the North/South, East/West lines or by the initial limits of the Delimited Region.
The area corresponding to any Production Perimeter or Appraisal Perimeter shall be deducted from the initial area of the Delimited Region before calculating the relinquished areas.
The areas previously abandoned, in accordance with the provisions of article 3.6, shall be deducted from the areas to be relinquished.

Subject to compliance by the Contractor with the foregoing requirements, the Contractor may freely select the zone within the Delimited Region to be relinquished.

The Contractor agrees to provide the Government with an accurate description and a map showing details of the areas relinquished and the areas retained as well as a report specifying the Petroleum Operations performed since the Effective Date on the relinquished areas and the results obtained.
The geometric shape and continuity of the relinquished areas are subject to approval by the Government.
The obligations indicated in article 8 of this Agreement shall be performed in their entirety for the relinquished areas.

3.6. During an exploration period, the Contractor, subject to sixty (60) days advance notice, may at any time notify the Government that it waives, in all or part of the Delimited Region, the rights conferred to it by this Agreement.

In the event of a partial waiver, the provisions of article 3.5 regarding relinquished areas shall be applicable.

No waiver during or after an exploration period shall reduce the work commitments and investment obligations indicated in article 4 for the ongoing exploration period.

In the event of a waiver, the Contractor shall have the exclusive right to retain, for the respective term of validity, the areas of the Appraisal Perimeters and Production Perimeters that were granted.

With respect to applications for Appraisal or Production Perimeters that were filed before the effective date of waiver, the Contractor shall also have the exclusive right to retain the corresponding areas if these subsequently give rise to the granting of an Appraisal Perimeter or of a Production Perimeter under the terms of this Agreement, and to carry out the Petroleum Operations.

3.7. At the end of the third exploration period defined in article 3.3., the Contractor shall abandon all of the remaining area of the Delimited Region, with the exception of the Appraisal Perimeters and the Production Perimeters granted as of said date or previously, or for which an authorisation request was filed if the same subsequently resulted in the granting of an Appraisal Perimeter or a Production Perimeter according to the conditions of this Agreement.

3.8. If, upon expiration of all of the exploration periods, the Contractor has not obtained an exclusive appraisal permit or an exclusive production permit, this Agreement shall end. Regardless of the above, if, before this date, an application for an exclusive appraisal permit or exclusive production permit has been filed, the Agreement will remain in force in the perimeter to which the exclusive appraisal permit or exclusive production permit relates until the Government decides on the Contractor's request.

If the Government rejects the application for an exclusive appraisal or exclusive production permit, this Agreement will terminate. If an exclusive appraisal permit or an exclusive production permit is granted, this Agreement will remain in force for the granted Appraisal Perimeters or Production Perimeters.

3.9. The expiration of this Agreement, or its termination for any reason whatsoever, shall not end the obligations of the Contractor in relation to the Agreement that were created before or at the time of said expiration or termination.

ARTICLE 4: EXPLORATION WORK COMMITMENTS

4.1. The Contractor shall begin the geological and geophysical work provided for in article 4.2 below, within three (3) months from the Effective Date.

4.2. During the first exploration period defined in article 3.1, the Contractor shall perform at least the following work in the Delimited Region:

- Acquisition, processing and interpretation of new 3D seismic covering a minimum of three thousand one hundred km² (3,100 km²).

4.3. During the second exploration period defined in article 3.2, the Contractor shall perform at least the following work in the Delimited Region:

- Geological, geophysical (G&G) and engineering studies;
- One (1) exploration well, firm.

4.4. During the third exploration period defined in article 3.3., the Contractor shall perform at least the following work in the Delimited Region:

- Geological, geophysical (G&G) and engineering studies;
- One (1) exploration well, firm.

4.5. Each of the exploration wells provided for in articles 4.3 and 4.4 shall reach the lesser of either:
- at least one hundred (100) meters into the Albian; or
- at least two-thousand five hundred metres (2,500), minimum depth, below the mud-line

In all cases, the exploration well can be stopped at a lesser depth if:

a) the base is at a depth that is less than the minimum contractual depth;

b) drilling the well presents an obvious danger;

c) rocky formations are found, the hardness of which does not allow, in practice, the well to be drilled, or

d) petroleum formations are found that, in order to be crossed, require casings to be installed for their protection, that do not allow for the minimum contractual depth to be reached.

If any of the reasons listed above exists, the exploration well shall be considered to have been drilled to the minimum contractual depth.

Notwithstanding any provision to the contrary in this Agreement, for the purposes of this article 4, exploratory drilling shall be any drilling executed in the Delimited Region outside any Appraisal Perimeter or any Production Perimeter existing on the date on which the drilling operations begin.

The wellbores drilled within the context of an exclusive appraisal permit shall not be considered as exploration wells and shall be governed by the provisions of article 11.

4.6. In order to perform the exploration work defined in articles 4.2 to 4.4 under the Best Industry Practice, the Contractor agrees to invest at least the following amounts:

a) Seven million Dollars (US $7,000,000) during the first exploration period defined in article 3.1;

b) Eighteen million Dollars (US $ 18,000,000) during the second exploration period defined in article 3.2;

c) Eighteen million Dollars (US $ 18,000,000) during the third exploration period defined in article 3.3.

Notwithstanding the foregoing, if the Contractor, in an exploration period, has performed its work commitments for an amount less than that indicated above, it shall be considered as having performed its investment obligations for said period. On the other hand, the Contractor shall perform all of the work commitments specified for a given exploration period even if it requires an investment greater than that specified above for said period.

4.7. In the event that the Contractor, during a given exploration period, drills one or more additional exploration wells, this or these additional exploration wells may be carried forward to the period immediately thereafter if an application is filed by the Contractor at the time of renewal of said exploration period as specified in articles 3.2 and 3.3 above. This request, which will not be refused without reasonable grounds, must be accompanied by the work program that it agrees to perform during the exploration period subject to the carried forward, and shall indicate the estimated and related costs.

4.8. Each entity constituting the Contractor, except PETROCI, shall provide the Government with irrevocable bank guarantees that are acceptable to the Government, corresponding to the investments stipulated in article 4.6 proportionally to their participation and to their obligation to contribute to the Initial Participation of PETROCI, covering the performance of the minimum exploration work programs indicated in articles 4.2, 4.3 and 4.4, as follows:

a) Within no more than sixty (60) days after the Effective Date, the Contractor shall provide a bank guarantee in the amount of seven million Dollars (US$ 7,000,000) to guarantee performance of the minimum exploration work program for the first exploration period in accordance with article 4.2.

The amount of the bank guarantee shall be reduced by:

- fifty percent (50%) of the original amount, i.e., three and a half million Dollars (US $3,500,000) following delivery by the Operator to the Government of a copy of the contract for seismic data acquisition;
- twenty-five percent (25%) of the original amount, i.e. one million and seven hundred and fifty thousand Dollars (US $1,750,000) following the start of said acquisition work;
- twenty-five percent (25%)of the original amount, i.e. one million and seven hundred and fifty thousand Dollars (US $1,750,000) following completion of said acquisition work and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the first exploration period.

b) As of the start date of the second exploration period, the Contractor shall provide a bank guarantee for an amount of eighteen million Dollars (US $ 18,000,000) to guarantee performance of the minimum exploration work program indicated in article 4.3. The amount of the bank guarantee, adjusted to reflect the exploration wells drilled in advance during the previous exploration period and carried forward to the next exploration period in accordance with article 4.7, will be reduced by:

- fifty percent (50%) of the original amount, i.e., nine million Dollars (US $9,000,000) following delivery by the Operator to the Government of a copy of the contract for drilling;
- twenty-five percent (25%) of the original amount; i.e., four million and five hundred thousand Dollars (US $4,500,000) following the start of said drilling works;
- twenty-five percent (25%)of the original amount; i.e. four million and five hundred thousand Dollars (US $4,500,000) following completion of the drilling works and after the Operator sends the Government all reports and documents

derived from performance of the minimum exploration work program for the second period and, approved by the Government in accordance with this Agreement.

c) As of the start date of the third exploration period, the Contractor shall provide a bank guarantee for an amount of eighteen million Dollars (US$18,000,000) to guarantee performance of the minimum exploration work program indicated in article 4.4. The amount of the bank guarantee, adjusted to reflect the exploration wells drilled in advance during the previous exploration period and carried forward to the next exploration period in accordance with article 4.7, will be reduced by:

- fifty percent (50%) of the original amount, i.e., nine million Dollars (US $9,000,000) following delivery by the Operator to the Government of a copy of the contract for drilling;
- twenty-five percent (25%) of the original amount, i.e., four million and five hundred thousand Dollars (US $4,500,000) following the start of said drilling works;
- twenty-five percent (25%) of the original amount, i.e. four million and five hundred thousand Dollars (US $4,500,000) following completion of the drilling works and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the third period and, approved by the Government in accordance with this Agreement.

The above bank guarantees shall be issued in terms that are comparable to the bank guarantee in Appendix 3 in accordance with the issuing bank and the Government's acceptance decision shall be made no later than ten (10) days from the date the bank guarantee was submitted by the Contractor. After this period has passed, the bank guarantee will be deemed to have been accepted.

4.9. The Operator shall notify the Government of the completion of the exploration work in the minimum exploration work program for a given exploration period. If the bank guarantee shall be released in accordance with article 4.8, within fifteen (15) days following notification by the Operator, the Government shall notify the bank of the release of the bank guarantee in the necessary amount or shall notify the Operator of its challenge relative to completion of the minimum exploration work program. The bank guarantee shall be released in accordance with the terms of article 4.8, unless a payment is due pursuant to article 4.10, in which case the bank guarantee shall be released once this payment is made.

4.10. If, for any reason except for a case of Force Majeure, the Contractor does not complete the minimum work program for a given exploration period under articles 4.2, 4.3 and 4.4, the Contractor shall pay an indemnity equal to the amount of the bank guarantee as reduced in accordance with Article 4.8 and this amount will be paid by the bank which issued the bank guarantee, under the terms and within the time periods stated in the bank guarantee given for each exploration period. Once payment has been made, this Agreement will terminate and the Contractor will be released from any work commitments.

ARTICLE 5: PREPARATION AND APPROVAL OF THE ANNUAL WORK PROGRAMS AND BUDGETS

5.1. At least two (2) months before the start of each Calendar Year, or for the first year no later than two (2) months after the Effective Date, the Contractor shall prepare and submit to the Government, for approval, an Annual Work Program as well as the corresponding Budget, for the entire Delimited Region, specifying the Petroleum Operations and the cost thereof that the Contractor proposes to perform during the Calendar Year in question, or the portion of the Calendar Year in question if an exploration period ends prior to the end of said Calendar Year. In the event of renewal of the exclusive exploration permit, the Contractor shall submit, within thirty (30) days following expiration of the previous exploration period, an Annual Work Program as well as the corresponding Budget for the first Calendar Year or the portion of the first Calendar Year of the next exploration period.

5.2. If the Government wants to propose revisions or modifications to the Petroleum Operations indicated in said Annual Work Program, within thirty (30) days following receipt of said program, it shall notify the Contractor of its intent to revise or modify it, presenting all justifications deemed appropriate. In this case, the Government and the Contractor shall meet to study and agree within fifteen (15) days thereafter the revisions or modifications requested and establish, by mutual agreement, the Annual Work Program and the corresponding Budget in the definitive form, according to the Best Industry Practice in the international petroleum industry. Nevertheless, during the exploration period, the Annual Exploration Work Program and the corresponding Budget prepared by the Contractor after the meeting indicated above shall be considered to be approved insofar as they satisfy the obligations established in article 4.

Each portion of the Annual Work Program and the Budget for which the Government has not requested a revision or modification within thirty (30) days as indicated above shall be performed by the Contractor within the specified time period, subject to article 5.3.

If the Government fails to notify the Contractor of its intended revision or modification within thirty (30) days as indicated above, the Annual Work Program and the corresponding Budget submitted by the Contractor shall be considered to be approved by the Government.

5.3. The Government and the Contractor acknowledge that the knowledge obtained as the work is performed or special circumstances may justify certain changes to certain details of the Annual Work Program. In this case, after notifying the Government, the Contractor may make these changes, provided that the fundamental objectives of said Annual Work Program are not modified.

ARTICLE 6: OBLIGATIONS OF THE CONTRACTOR REGARDING THE EXPLORATION PERIODS

6.1. The Contractor is responsible for the Petroleum Operations and consequently shall provide the following for performing these operations:

- all necessary funds,
- all required machinery, equipment and materials,
- all technical support, including the necessary personnel, subject to the provisions of article 30.

6.2. The Contractor is responsible for the preparation and performance of the Annual Work Programs, which it shall perform according to the Best Industry Practice in the international petroleum industry.

6.3. The Contractor shall take all reasonable and practical measures to:

a) ensure the protection of aquifers encountered during the course of its work;

b) perform the tests necessary to determine the value of significant shows encountered during drilling and the commercial nature of discoveries of any Hydrocarbons;

c) prevent losses and discarding of Hydrocarbons produced and losses and discarding of oil-based mud or any other product used in the Petroleum Operations according to Best Industry Practice in the international petroleum industry.

6.4. All of the work and facilities established by the Contractor by virtue of this Agreement, according to their nature and circumstances, shall be constructed, installed, placed, indicated, beaconed, signalled, equipped and maintained so as to permanently allow safe passage for navigation in the Delimited Region, and notwithstanding the foregoing, the Contractor, in order to facilitate navigation, shall install audio and visual equipment approved or required by the appropriate authorities notified to the Contractor by the Government, and maintain them to the complete satisfaction of said authorities in accordance with the law in force in the Republic of Côte d'Ivoire.

6.5. In exercising its right to construct, perform work and maintain all facilities necessary for purposes of this Agreement, the Contractor may not disturb any public place such as cemeteries, religious buildings, government buildings or those used for a public utility, without the prior consent of the Government, and shall pay the indemnities dues for any damage it causes in accordance with article 29.

6.6. The Contractor, during the Petroleum Operations, shall take all measures necessary to preserve the environment and comply with Best Industry Practice in the international petroleum industry and international conventions (and their amendments) to which the Government is a party relative to ocean water pollution by Hydrocarbons.

In order to prevent pollution, the Government, after consulting with the Contractor, may decide to take any additional measures it deems necessary to ensure preservation of the environment in accordance with the laws in force in the Republic of Côte d'Ivoire and international conventions on the environment to which the Government is a party.

6.7. The Contractor and its subcontractors shall have the obligation to give preference to Ivoirian services and products, under equivalent conditions in terms of price, quality, capacity, safety, environmental performance, term of delivery and term of payment. Ivoirian services and products mean the services produced or goods produced or supplied by a company that is registered in the Republic of Côte d'Ivoire.

Unless otherwise agreed by the Government, the Contractor and its subcontracts agree to call for bids from Ivoirian and foreign bidders for supply, construction or service contracts for an estimated amount greater than five hundred thousand Dollars (US $500,000) per contract in the exploration period, and one million Dollars (US $1,000,000) per contract in the production period, with the understanding that the Contractor shall not unnecessarily divide these contracts.

Copies of all contracts related to the Petroleum Operations shall be submitted to the Government as soon as possible after the time of signature.

6.8. The Contractor agrees to give preference, under equivalent economic conditions, to purchasing goods necessary for the Petroleum Operations instead of renting or otherwise leasing them.

For this purpose, all lease agreements for an estimated amount greater than five hundred thousand Dollars (US $500,000) shall be indicated by the Contractor in the Annual Work Programs.

ARTICLE 7: RIGHTS OF THE CONTRACTOR RELATING TO EXPLORATION PERIODS

7.1. Notwithstanding the provisions of this Agreement, the Contractor shall be entitled:

- **a)** to manage and control, under its entire responsibility, the Petroleum Operations in the Delimited Region;
- **b)** to access any location within the interior of the Delimited Region in order to perform the Petroleum Operations;
- **c)** to perform all acts, facilities, work, and operations necessary to perform the Petroleum Operations both inside and outside of the Delimited Region. The Contractor may choose the location of the facilities during the exploration periods in accordance with the regulations in force in the Republic of Côte d'Ivoire at such a location subject to (i) approval by the Government, which shall not be refused without a valid reason and (ii) conditions of article 2.3 and articles 6.4 to 6.6; and
- **d)** to exercise the rights conferred hereunder, through agents and independent contractors, and consequently to pay all of the related fees and expenses in the currency of choice of the Contractor, in accordance with the provisions of article 23.

7.2. The agents, employees and representatives of the Contractor or its independent subcontractors, for the purposes of the Petroleum Operations, may freely enter or exit the Delimited Region and access all facilities established by the Contractor.

7.3. The Contractor shall be entitled, by paying royalties in effect in the Republic of Côte d'Ivoire, to remove and use soil from under standing timber forests, sand, clay, lime, gypsum, stone and other similar substances necessary for performing the Petroleum Operations.

The Contractor, after reaching an agreement with the Government, may reasonably use these materials to perform the Petroleum Operations, free of charge, when they are located on land owned by the Government and placed near the land where the Petroleum Operations are being performed.

The Contractor, without making any payment, may take or use the water needed for the Petroleum Operations, provided that existing irrigation or navigation is not disturbed and that the land, homes or livestock watering places are not deprived from a reasonable quantity of water.

ARTICLE 8: ACTIVITY REPORTS DURING EXPLORATION PERIODS AND SURVEILLANCE OF PETROLEUM OPERATIONS

8.1. Subject to the provisions of article 8.4 below, the Government shall own and freely dispose of all original data and all final technical documents related to the Petroleum Operations, including but not limited to records, samples, geological, geophysical, petrophysical, drilling and production reports.

8.2. The Contractor agrees to provide the Government with the following periodical reports:

a) daily reports on the drilling activities;

b) weekly reports on geophysical activities;

c) within thirty (30) days following each Calendar Quarter, a report on the Petroleum Operations performed, as well as a detailed statement of Petroleum Costs for the previous Calendar Quarter;

d) before the end of February of each Calendar Year, an annual report on the Petroleum Operations performed, as well as a detailed statement of the Petroleum Costs for the previous Calendar Year.

8.3. Furthermore, the following reports or documents shall be provided to the Government, when they are prepared or obtained:

a) a copy of the geological study and summary reports as well as the related maps;

b) a copy of the geophysical surveys, reports on measurements, studies and geophysical interpretation, maps, profiles, sections or other related documents, and, upon the request of the Government, the original or an official copy of the recorded seismic magnetic tapes;

c) a copy of the installation and test bore completion reports for each wellbore, as well as a full set of recorded logs;

d) a copy of the test reports or production test reports as well as any study related to the bringing of a well on-stream or into production;

e) a copy of reports related to analyses performed on core bores and fluid analysis.

All maps, sections, profiles, logs and other geophysical documents shall be provided on transparent media suitable for subsequent reproduction.

A representative portion of core bores and drilling cuttings taken from each well and samples of fluids produced during the tests or production tests shall also be provided to the Government within a reasonable time period, and no later than sixty (60) days after the closure of the wells.

Upon expiration, or in the event of waiver or termination of this Agreement, the original final technical documents and samples related to the Petroleum Operations, including magnetic tapes, if so requested, shall be sent to the Government.

After having previously advised the Contractor, the Government may at any reasonable moment, during normal working hours and in accordance with the current security regulations, access the

Contractor's files related to the Petroleum Operations, at least one copy of which shall be retained in the Republic of Côte d'Ivoire.

8.4. The Parties agree to treat as confidential and not disclose to third parties any or all of the documents and samples related to the Petroleum Operations, during all exploration periods, as defined in article 3, during all appraisal periods, during all production periods, and in the event of the waiver of one zone, until the date of said waiver with respect to the documents and samples referring to the abandoned zone.

Nevertheless, the Government and each entity comprising the Contractor may at any time authorise access to these documents and samples by third parties of their choice. These may examine the documents and samples related to the Petroleum Operations and shall agree to treat them as confidential.

Notwithstanding the above, each entity comprising the Contractor can freely disclose the confidential data and information:

i. to any company interested in good faith in a potential assignment/acquisition or in an assistance in respect of the Petroleum Operations, after obtaining from this company, a commitment to keep such data and information confidential and to use them for the sole purpose of the aforesaid assignment or assistance;
ii. to any Affiliated Company of an entity comprising the Contractor, as well as to any external professional advisor, taking part in the Petroleum Operations, after obtaining a similar confidentiality commitment from the latter;
iii. to any bank or financial institution from which the Contractor seeks or obtains financing, after obtaining a similar confidentiality commitment from such institution;
iv. when and to the extent that the regulations of a recognized stock exchange or of a supervising or auditing administrative authority require it from one of the entities comprising the Contractor or one of its Affiliated Companies;
v. in the context of any judiciary, administrative or arbitral litigation procedure or if required by applicable law.

If it so deems necessary, the Government may decide to extend the period of confidentiality indicated in this article 8.4.

8.5. The Contractor shall keep the Government informed of its activities. In particular, the Contractor shall notify the Government as soon as possible, and at least fifteen (15) days in advance, of all Petroleum Operations forecast for the Delimited Region, such as geological campaigns, seismic campaigns, commencement of drilling, platform installation and any other important operation mentioned within the approved Annual Works Program.

In the event that the Contractor decides to abandon a wellbore, it shall so notify the Government within at least forty-eight (48) hours in advance of the abandonment.

8.6. One or more duly authorised representatives of the Government may, during normal business hours, after notice to the Operator, monitor the Petroleum Operations and, at reasonable intervals, inspect the work, facilities, equipment, materials, records and books related to the Petroleum Operations, provided that it does not cause a delay that may be detrimental to proper development of such operations. This representative specifically shall be entitled to be present during the

testing and abandonment of any well. It is understood that the notice will be given to the Operator sufficiently in advance to allow compliance with the Operator's rules in relation to security, health and safety rules, and to avoid any interference, obstruction or undue delay in the carrying out of the Petroleum Operations.

In order to allow the above-mentioned rights to be exercised, the Contractor shall provide the representatives of Government with reasonable assistance, especially with regard to insurance cover, means of transport, lodging, and duly justified assignment expenses, provided such does not violate any law applicable to a Party.

8.7. The Contractor shall inform the Government as soon as possible of any discovery of mineral substances within the Delimited Region.

ARTICLE 9: LAND OCCUPANCY

9.1. The Government, without monetary consideration, shall make available to the Contractor, solely for the needs of the Petroleum Operations, the land it owns that is necessary for said Operations. The Contractor may build and maintain, above and below that land, the facilities necessary for the Petroleum Operations.

The Contractor may not request the use of such land if it actually does not need it, and it shall refrain from claiming any land occupied by buildings or properties used by the Government. It is understood that the land belonging to public institutions or agencies under State control are not considered to be Government land.

The Contractor shall compensate the Government for any damage to land caused by the construction, use and maintenance of its facilities on said land. This indemnity will make up the recoverable Petroleum Costs.

The Government shall authorise the Contractor to construct, use and maintain a telephone, telegraph and piping system, above or below ground and throughout the land not owned by the Government, without claiming any compensation, provided that the Contractor causes the least damage possible to this land and in exchange pays the owners of this land reasonable compensation established by mutual agreement.

9.2. The rights to land owned by individuals necessary to perform the Petroleum Operations shall be acquired by a direct agreement between the Contractor and the individual in accordance with current legislation in the Republic of Côte d'Ivoire. In the event of disagreement, the Contractor may seek recourse through the Government, which will use eminent domain expropriation for public utility purposes, at the expense of the Contractor. In establishing the value of these rights, its intended purpose by the Contractor shall not be taken into consideration, and the Government agrees that no law or proceedings for said acquisition shall play a role in assigning an excessive value nor a confiscation value. These rights acquired by the Government shall be recorded in its name, but the Contractor may use them for the needs of the Petroleum Operations, free of charge, throughout the duration of this Agreement. The Government warrants that the Contractor shall be protected with respect to the use and occupancy of this land as if it had title to the property.

ARTICLE 10: USE OF THE FACILITIES

10.1. For the needs of the Petroleum Operations, the Contractor shall be entitled to use, under general law conditions in the Republic of Côte d'Ivoire, any railroad, road, airport, runway, canal, river, bridge, body of water and telephone or telegraph network in the Republic of Côte d'Ivoire, whether owned by the Government or any private business, by means of paying royalties in accordance with the laws that apply in the Republic of Côte d'Ivoire or those that are fixed by agreement but which will not be higher than the prices and tariffs provided to Third Parties for similar services.

Subject to approval by the Government, the Contractor shall also be entitled to use, at its own expense and risk, in accordance with the laws and regulations that apply in the Republic of Côte d'Ivoire and in accordance with the Best Practice of the international petroleum industry, the additions and changes to the facilities that are already in existence for the transport, the treatment or the storage of the Hydrocarbons, provided that such a right does not fetter the rights of Third Parties and does not cause them prejudice and that the additions and changes are necessary for the profitable exploration of the Hydrocarbons coming from the Delimited Region.

The Contractor will also be entitled, for the needs of the Petroleum Operations, to use all overland, ocean or air transportation resources for transporting its employees or equipment, provided that it complies with the laws and regulations that apply in the Republic of Côte d'Ivoire in using these means of transport.

10.2. The Government shall have the right to use any means of transport and communication put in place by the Contractor, through the payment of fair compensation to be fixed by mutual agreement, but which shall not be higher than the prices and rates granted to Third Parties for similar services, provided that, in the opinion of the Contractor, this use by the Government does not hinder the Petroleum Operations nor prejudice them.

Under the same conditions, in the event of national need, specifically national catastrophes, cataclysmic events, domestic or foreign perils, the Contractor shall make its resources available to the Government at its request.

10.3. This Agreement shall in no way limit the Government's right to build, operate and maintain on, under and throughout land made available to the Contractor for the needs of the Petroleum Operations, roads, railroads, airports, runways, canals, bridges, flood control projects, police stations, military facilities, pipelines, telegraph and telephone lines, provided that this right is not exercised in such a way as to jeopardise or hinder the rights of the Contractor pursuant to this Agreement, or the Petroleum Operations, or is detrimental to them, except in the case of national need.

Likewise, the Government may authorise persons to construct, operate and maintain the facilities in the Delimited Region provided that this right does not compromise or hinder the rights of the Contractor pursuant to this Agreement or the Petroleum Operations, or is not detrimental to them, except in the case of national need.

<u>ARTICLE 11:</u> APPRAISAL OF A HYDROCARBONS DISCOVERY

11.1. In the event that the Contractor discovers Hydrocarbon shows in the interior of the Delimited Region, it must notify the Government as soon as possible and submit, within thirty (30) days following the date of provisional shutting in or abandonment of the discovery well, a report providing all information relative to said discovery.

11.2. If the Contractor wants to perform the appraisal work for the Hydrocarbons discovery indicated in article 11.1 above, it shall submit to the Government for approval, within twelve (12) months following the date of notification of said discovery, a permit application for the duration of said works and the corresponding estimated Budget, as well as a map establishing the boundaries of the Appraisal Perimeter, for examination and approval by the Government.

The provisions of articles 5.2 and 5.3 shall apply, *mutatis mutandis*, to said appraisal program with regard to approval and performance, with the understanding that the submitted program cannot be rejected or modified by the Government if it complies with the Best Industry Practice in the international petroleum industry.

Notwithstanding any provisions to the contrary in this Agreement, the term for notification defined in articles 11.1 and 11.2 shall apply even in the event of expiration of an exploration period. The Government and the Contractor shall agree on the provisional Appraisal Perimeter that shall remain valid while the Contractor submits the application indicated in article 11.2 until expiration of the period indicated in the first section of article 11.2.

11.3. If the Contractor meets the conditions indicated in article 11.2, the Government shall grant it an exclusive appraisal permit for a term of four (4) years from the date of approval of the appraisal work program and the corresponding Budget, for the Appraisal Perimeter established in said program. Notwithstanding any specific provisions of this article, the Contractor, throughout the validity of said exclusive appraisal permit, shall be subject to the same system as that applicable to the exclusive exploration permit.

11.3.1. If the Government grants an exclusive appraisal permit under article 11.3, the Contractor shall then diligently perform the appraisal work program for the discovery in question, specifically drill the appraisal well and perform the production tests established in said program.

At the request of the Contractor, notified at least thirty (30) days before expiration of the appraisal period defined in article 11.3 above, the duration of said period may be extended for a maximum of twelve (12) months, provided that this extension is justified by the drilling of boreholes and production tests for the appraisal program.

11.3.2. Within three (3) months from the completion of the appraisal work, and no later than thirty (30) days before expiration of the appraisal period, the Contractor shall provide the Government with a detailed report providing all information relative to the discovery and its appraisal.

11.3.3. If the Contractor believes, after performing the appraisal work, that the Field corresponding to the Hydrocarbons discovery is commercial, it shall also submit to the Government, along with the above-mentioned report, an exclusive production permit application defined in article 11.3.2 above, accompanied by a detailed development and production plan for said Field that specifically includes the following:

a) the planned boundaries of the Production Perimeter requested by the Contractor, so that it covers the area defined by the enclosure of the field identified in article 11.1, as well as all technical justification concerning the scope of said Field;

b) an estimate of the reserves in place, recoverable, proven and probable reserves, and the corresponding annual production, as well as a study of any recovery and enhancement methods for Crude Oil associated products, such as Associated Natural Gas;
c) an item-by-item description of the facilities and work necessary for production, such as the number of development wells, the number and characteristics of pads, pipelines, production, processing, storage and loading facilities;
d) the estimated performance schedule and the planned date to begin production, and
e) the estimated investments and production expenses, as well as an economic evaluation confirming the commercial nature of the discovery identified in article 11.1.

11.3.4. The commercial nature of one or more Hydrocarbon Fields shall be evaluated at the discretion of the Contractor, provided that after the appraisal work, it submits to the Government the economic study indicated in article 11.3.3 e) confirming the commercial nature of said Field(s).

A Field may be declared to be commercial by the Contractor after having considered the operational and financial data collected during the performance of the exploration programme and the appraisal program, and including but not limited to the recoverable Hydrocarbon reserves, the durable production levels, the availability of the commercial markets and other technical and economic factors and according to the Best Industry Practice in the international petroleum industry.

11.3.5. In order to evaluate the commercial nature of the Field(s), the Government and the Contractor shall meet within ninety (90) days following submission of the development and production plan accompanied by the economic evaluation.

11.3.6. The development and production plan submitted by the Contractor shall be approved by the Government, which may not be withheld without a valid reason. Within ninety (90) days following submission of said plan, the Government may propose revisions or changes to the plan, notifying the Contractor with all necessary justifications. In this case, the Parties shall meet as soon as possible to examine the revisions or modifications requested and to establish the plan in its definitive form by mutual agreement; the plan shall be considered to be approved by the Government as of the date of said agreement.
If the Government fails to notify the Contractor of its proposed revision or modification within ninety (90) days as indicated above, the development and production plan submitted by the Contractor shall be considered to be approved by the Government upon expiration of said term.

11.4. When the Contractor does not wish to perform the appraisal work for the Hydrocarbons discovery indicated in article 11.1, the provisions of article 3.8 shall be applicable.

11.5. If, after the appraisal period defined in article 11.3., the Contractor justifies that bringing the evaluated Field on-stream is not very profitable due to current economic circumstances and that other discoveries are likely to be made in the rest of the Delimited Region that will allow all of the discoveries to be cumulatively declared to be commercial, it may petition the Government to allow it to retain its rights to the area delimiting the discovery for a duration that may not under any circumstances exceed that of all of the exploration periods.

11.6. If, for reasons that are not technically justified, the Contractor:
a) has not, within twelve (12) months following notification to the Government of a Hydrocarbon discovery, applied for an exclusive appraisal permit or

b) has not begun the appraisal work for said discovery within six (6) months after having obtained the exclusive appraisal permit or
c) within eighteen (18) months after completing the appraisal work, does not declare the discovery commercially viable,

the Government may request the Contractor abandon its rights to the area presumed delimits the said discovery without any indemnity in favour of the Contractor.

If, within sixty (60) days following the Government's request, the Contractor has not requested an exclusive appraisal permit, nor commenced the appraisal works nor declared that the discovery is commercially viable, if appropriate, the Contractor shall then abandon said area and shall lose all rights to the hydrocarbons that may be produced from said discovery; any area so relinquished shall be deducted from the areas to be relinquished pursuant to article 3.5.

11.7. Any quantity of Hydrocarbons produced from a discovery before it is declared to be commercial, if it is not used for the needs of the Petroleum Operations or lost, but if it is sold, shall be measured in accordance with the provisions of article 15.9 and included in the Total Production for application of the provisions of articles 16, 17 and 21.

11.8. Notwithstanding any provisions to the contrary in this article 11, if the Contractor believes that it can directly develop and produce a Hydrocarbons discovery without first performing all of the appraisal work, it may submit an exclusive production permit application accompanied by a detailed development and production plan in accordance with article 11.3.3, provided that it is able to justify in said plan that it has compiled sufficient information, especially with regard to production tests, showing that it is not necessary to perform appraisal work.

ARTICLE 12: GRANTING AN EXCLUSIVE PRODUCTION PERMIT RELATING TO A COMMERCIAL DISCOVERY

12.1. A commercial Hydrocarbons discovery gives the Contractor the exclusive right, if it submits an application under the conditions established in article 11.3.3, to obtain for such discovery an exclusive production permit covering the corresponding Production Perimeter.

12.2. If the Contractor makes several commercial discoveries in the Delimited Region, each of them, in accordance with the provisions of article 12.1, shall entitle the Contractor to an exclusive production permit, each corresponding to a Production Perimeter. The number of exclusive production permits and of related Production Perimeters in the Delimited Region is unlimited.

12.3. If, during the course of the work subsequent to granting the exclusive production permit, it appears that the area defined by the enclosure of the Field in question is greater than that initially projected in accordance with article 11.3.3, the Government shall grant the Contractor, within the context of the exclusive production permit already issued, an additional area so that the entire Field is covered by the Production Perimeter, provided, however, that the Contractor provides the Government, along with its application, with technical documentation justifying the requested extension.

12.4. In the event that a Field declared commercial extends beyond the limits of the Delimited Region, to areas that have been attributed to other entities, the Contractor, at the Government's written request, and after submission of a development and production plan for the said Field, by the Contractor or the owner(s) of the adjacent areas, must develop the mentioned Field in

association with the owner(s) of the adjacent areas according to the provisions of a "unitization" agreement.

In this case, the Contractor and the owner(s) of the adjacent areas agree to submit a joint development and production plan ("**Joint Plan**") for approval by the Government within no more than twelve (12) months after the Government makes its request.

The Joint Plan must comply with the Best Industry Practice in the international petroleum industry and will be treated in accordance with the provisions of article 11.3.6.

If the Contractor and the owner(s) of the adjacent areas do not submit the Joint Plan for approval by the Government within twelve (12) months as indicated above, the Government will appoint an independent consultant, from the lists of four (4) consultants proposed by each of the Contractor and the owner(s) of the adjacent areas within thirty (30) days after expiry of the above-mentioned twelve (12) month period.

The consultant so appointed by the Government shall prepare, in accordance with the Best Industry Practice in the international petroleum industry and within a period of ninety (90) days, a Joint Plan, based on the previous development plans submitted by the Contractor and by the owner(s) of adjacent areas. During this procedure, the consultant shall consult with the Parties and keep them regularly informed. At the end of his or her work, the consultant must submit the Joint Plan to the Government, to the Contractor and to the owner(s) of the adjacent areas.

The Government, the Contractor and the owner(s) of the adjacent areas shall meet as promptly as possible to examine any proposed reviews and changes, and by mutual agreement, establish the final version of the Joint Plan.

12.5. In the event that a Field that is declared to be commercial extends beyond the limits of the Delimited Region into a block that has not yet been assigned or that has not yet been negotiated with another company, the Government will give priority to the Contractor, according to the conditions defined in an agreement, for said adjacent block, if the Contractor so requests.

ARTICLE 13: DURATION OF THE PRODUCTION PERIOD

13.1. The duration of an exclusive production permit, during which time the Contractor is authorised to produce a commercial Field, is set at twenty-five (25) years from the date on which it is granted as stated in article 12.

If, upon expiry of the twenty-five (25) year production period defined above, the commercial production of a Field is still possible, the Government will authorise the Contractor, upon the latter's grounded request submitted at least twelve (12) months before the mentioned expiry, to, within the framework of this Agreement, continue production of the said Field during an additional period including the remaining commercial production period for the Field, where such duration cannot exceed ten (10) years, conditional on the Contractor having fulfilled its obligations during the current production period.

If, upon expiration of this additional production period, commercial production of said Field is still possible, the Contractor may request the Government, at least twelve (12) months before said expiration, to authorise it to pursue production of said Field, within the context of this Agreement, during an additional period to be agreed.

13.2. The Contractor may at any time waive any or all of an exclusive production permit, subject to advance notice of at least six (6) months, which may be reduced with the consent of the Government. This advance notice shall be accompanied by the list of measures that the Contractor waiving the permit agrees to take, in accordance with the Best Industry Practice in the international petroleum industry, at the time of such waiver, which shall not become effective until after the required abandonment.

13.3. The exclusive production permit may be withdrawn in the following cases:
a) the stopping of the development or production work in a Field declared to be commercial, during an uninterrupted term of at least six (6) months, except in the case of Force Majeure in accordance with article 33, without the approval of the Government, or
b) the abandonment of production of a Field with the exception of the provisions of article 13.2.

In the case of a Natural Gas Field, if the Natural Gas buyer(s) were unable or were unwilling to take delivery of the Natural Gas production under normal commercial conditions for a period of at least six (6) months, the Contractor may refer the matter to the Government in writing and the Contract will be extended for a period that is equal to that during which the production work was interrupted.

13.4. Upon expiration, waiver or withdrawal of the last exclusive production permit granted to the Contractor, this Agreement shall end.

13.5. The expiration or termination of this Agreement for any reason whatsoever shall not put an end to the Contractor's obligations created before or at the time of such expiration or termination and that must be performed, especially with regard to the provisions of article 20.

13.6. In the event of waiver by the Contractor of any or all of a Production Perimeter or withdrawal or expiration of an exclusive production permit, if the Government believes that production of the Field in question may be pursued by a new operator, the Government shall be entitled to have it produced, without any consideration for the Contractor. The Parties and the new operator will consult with each other in relation to a transition plan so as to ensure production continuity. In such a case, the Contractor will be released of all commitments and all liability resulting from this Agreement, especially the abandonment obligations provided under article 20.16.

<u>ARTICLE 14:</u> PRODUCTION OBLIGATION

14.1. For any Field entailing the grant of an exclusive production permit, the Contractor agrees to perform, at its expense and its own financial risk, all Petroleum Operations that are appropriate and necessary for production of said Field.

14.2. If the Contractor establishes, during the development period or during the production period, that production of a Field is not commercially profitable, although an exclusive production permit was granted in accordance with the provisions of article 12.1, the Government agrees to not require the Contractor to continue production of this Field.

In this case, the Government, at its discretion, may withdraw the exclusive production permit in question from the Contractor, without any consideration for the Contractor, subject to sixty (60) days advance notice, and the provisions of articles 13.6 and 20 shall be specifically applicable.

<u>ARTICLE 15:</u> OBLIGATIONS AND RIGHTS OF THE CONTRACTOR RELATED TO EXCLUSIVE PRODUCTION PERMITS

15.1. The Contractor shall begin the development work presented within the development and production plan within no more than six (6) months after approval of the development and production plan set forth in article 11.3.6., and shall pursue it with the maximum diligence.

In accordance with article 14.2, the Contractor agrees to produce all of the Hydrocarbons contained in the Production Perimeter, under economically viable conditions.

15.2. The provisions of articles 5, 6, 7, 8, 9 and 10 are also applicable, *mutatis mutandis*, within the context of exclusive production permits.

15.3. The Contractor is entitled to build, use, operate and maintain all Hydrocarbons storage and transport facilities that are necessary for the production, processing, transportation and sale of the Hydrocarbons produced, in accordance with the conditions set forth in this Agreement.

The Contractor may determine the layout and placement of pipelines within the Republic of Côte d'Ivoire necessary for the Petroleum Operations, but it must submit the plans that are in accordance with Best Industry Practice in the international petroleum industry and the regulations in force in the Republic of Côte d'Ivoire to the Government for approval before beginning work; all pipelines crossing or along roads or passages (other than those used exclusively by the Contractor) shall be constructed so as to not disturb said roads or passages.

The transportation conditions and the security regulations for these projects shall be the subject of an agreement between the Parties.

15.4. The Contractor, within the limit and for the duration of the excess capacity of a pipeline or a processing, transportation or storage facility built for the needs of the Petroleum Operations, may be required to accept the passage of Hydrocarbons from production other than that of the Contractor, provided that:

a) this passage is not detrimental to the Petroleum Operations, and

b) a reasonable tariff covering normal compensation of funds invested to construct and operate the pipeline or facility is question is paid by the user.

The Contractor shall determine an order of priority should there be a passage of Hydrocarbons from one (1) or more other operations. The tariffs and the order of priority will be subject to the Government's prior approval.

15.5. Upon obtaining an exclusive production permit, the Contractor agrees to diligently perform the development drilling, spaced apart to guarantee, in accordance with the Best Industry Practice in the international petroleum industry, so as to maximise the economic recovery of the Hydrocarbons contained in the Field in question.

15.6. The Contractor must observe Best Industry Practice in conducting the development and production operations, so as to maximise the economic recovery of the Hydrocarbons, and to carry out assisted recovery studies.

15.7. The Contractor shall provide the Government with all reports, studies, results of measurements, tests, and documents that enable it to control proper production of each Field.

The Contractor must specifically take the following measures in each production well:

a) monthly test of production and of gas/oil ratio, and
b) semi-annual measurement of the reservoir pressure of the Field.

15.8. The Contractor agrees, from each Field, to produce annual quantities of Hydrocarbons according to the provisions of article 15.6.

The annual production rates of each Field shall be submitted by the Contractor, together with the Annual Work Programs indicated in article 5, for approval by the Government, which shall not be refused if the Contractor provides technically and economically justified arguments.

15.9. The Contractor shall measure, by using, after Government approval, a measuring instrument, the measuring tools and procedures in accordance with Best Industry Practice in the international petroleum industry, at a point established by mutual agreement between the Parties, all Hydrocarbons produced after extracting water and sediments, with the exception of:

a) Hydrocarbons used for the Petroleum Operations, and
b) inevitable losses.

The Government shall be entitled to examine these measures and to verify the devices and procedures used, or have them verified.

If the Contractor wishes to modify said measurement devices and procedures, it shall first obtain the approval of the Government.

When the devices and procedures used have resulted in an over- or under-estimate of the measured quantities, the error shall be considered to exist as of the date of the last calibration of the devices, unless otherwise justified, and the appropriate adjustment shall be made for the period during which this error exists.

<u>ARTICLE 16:</u> RECOVERY OF PETROLEUM COSTS RELATING TO CRUDE OIL AND PRODUCTION SHARING

16.1. Since beginning regular production of Crude Oil, the Contractor shall sell all production of Crude Oil obtained from the Delimited Region, in accordance with the provisions below defined.

16.2. To recover the Petroleum Costs, the Contractor may take, free of charge every Calendar Year, a portion of the production of Crude Oil which under no circumstances shall exceed seventy-five percent (75%) of the Total Production of Crude Oil of the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs actually incurred and paid.

If, during the course of a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article, exceed the equivalent ofseventy-five percent (75%) of the value of the Total Production of Crude Oil from the Delimited Region, the balance of the

Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the following Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be added to the Development Expenditures that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 16.2.

16.3. The quantity of Crude Oil from the Delimited Region remaining during the course of each Calendar Year after the Contractor has taken from the Total Production of Crude Oil the portion necessary for recovery of the Petroleum Costs in accordance with the provisions of article 16.2, hereinafter referred to as "**Remaining Production**," shall be shared between the Government and the Contractor in the following manner:

Portion of Total Daily Production of Crude Oil (in Barrels/day)	Contractor's Participating Interest in the Remaining Production
From 0 to 50,000	**62%** multiplied by H
From 50,001 to 100,000	**57%** multiplied by H
From 100,001 to 150,000	**52%** multiplied by H
Over 150,000	**47%** multiplied by H

The "**H**" factor is defined as follows:

- for a Crude Oil price between $50 and $200 per barrel:
  H = 1.629 – 0.141 Ln (Deflated Crude Oil price in December 2011),
  Ln being the natural Logarithm.

In any event, it is understood that:

- for a price of Crude Oil less than $50 per barrel: **H = 1.08**
- for a price of Crude Oil greater than $200 per barrel: **H = 0.88**

The deflation is calculated based upon the "Consumer Price Index, **CPI**" of the United States of America (USA) according to the following formula:

$$P(M, \text{Dec } 2011) = \frac{P(M) \times CPI(\text{Dec } 2011)}{CPI(M)}$$

where:

P(M, Dec 2011): Crude Oil price for month M deflated for December 2011;

P (M): Crude Oil price for month M;
CPI (M): U.S. Consumer Price Index for month M;
CPI (Dec. 2011): U.S. Consumer Price Index for December 2011.

Unless otherwise agreed, the Consumer Price Indices of the United States of America (CPI) are provided by the "US Bureau of Labor Statistics/All Urban Consumers/U.S. city average/All items" on the website "www.bls.gov/cpi".

In the event the above-mentioned index no longer exists, the Parties shall agree to choose another index within ninety (90) days following the date on which the index ceased to exist. If no agreement on a new substitution index is reached within ninety (90) days, the Parties may, in respect of Petroleum Costs, hire an independent consultant so as to propose, within ninety (90) days, a similar index that will be imposed on the Contractor.

In the event agreement is not reached concerning the above-mentioned ninety (90) days, the Government will, within thirty (30) days appoint a consultant to propose a new index within sixty (60) days after their appointment by the Government. The consultant's costs and expenses are Petroleum Costs that are recoverable under this Contract.

When the cumulative production of Crude Oil in the Delimited Region reaches twenty-five (25) million barrels, the Contractor's share in the Remaining Production (before application of the H factor) shall decrease by one half of one percent (0.5%) for each applicable portion of production.

When the cumulative production of Crude Oil in the Delimited Region reaches fifty (50) million barrels, as well as for each twenty-five (25) million incremental barrels, the Contractor's share in the Remaining Production (before application of the H factor) shall decrease by one percent (1%) for each applicable portion of production up to a cumulative limit of one hundred and fifty (150) million barrels is reached.

When the cumulative production in the Delimited Region reaches one hundred and fifty (150) million barrels, no further reduction of the Contractor's share shall be applied.

By way of example, for a daily production that amounts to between 0 and 50,000 barrels/day, the Contractor's share in the Remaining production is of 62% multiplied by H.

When cumulative production reaches 25,000,000 barrels, the Contractor's share in the Remaining production becomes:

- **62**% - (**62**% x 0.5%) = 61.69**% multiplied by H**

When cumulative production reaches 50,000,000 barrels, the Contractor's share in the Remaining production becomes:

- **61.69**% - (**61.69**% x 1%) = 61.0731**% multiplied by H**

When cumulative production reaches 75,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 61.0731% - (61.0731% x 1%) = 60.462369**% multiplied by H**

When cumulative production reaches 100,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 60.462369% - (60.462369% x 1%) = 59.85774531**% multiplied by H**

When cumulative production reaches 125,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 59.85774531% - (59.85774531% x 1%) = 59.2591678569**% multiplied by H**

When cumulative production reaches 150,000,000 barrels, no reduction will be made to the Contractor's share in the Remaining production, and the Contractor's share in the Remaining Production is maintained at 59.2591678569**% multiplied by H**

The State's share in the Remaining Production is equal to the Remaining Production after recovery of the Petroleum Costs, less the Contractor's share as calculated above.

For application of this article, the Total Daily Production of Crude Oil shall be the average rate of daily Total Production of Crude Oil at the wellheads during the Calendar Month in question.

Thus, for a given Total Daily Production of Crude Oil, the Contractor shall take the portion necessary for recovery of the Petroleum Costs as provided in article 16.2, in each portion of Total Daily Production of Crude Oil defined in the table above before sharing the Remaining Production between the Government and the Contractor according to the rates agreed as above.

For purposes of applying the tax legislation of the Republic of Côte d'Ivoire, the quantity of Crude Oil that the Government shall receive during the course of each Calendar Year, pursuant to this article 16.3, shall include the portion necessary to pay all tax(es) of the Contractor in the Republic of Côte d'Ivoire that may be imposed on its income. The Government agrees to pay on this portion all income tax(es) in the name and on behalf of the Contractor, and to send the Contractor the official vouchers for these payments as set forth in article 17.6. In order to determine the value of said portion necessary for payment of income tax, the Government shall use the sales price defined in article 18. The share of Crude Oil made available to the Government representing income tax shall be determined separately and specified in accordance with the provisions of this article.[NOTE: FOR DISCUSSION ON 18 DECEMBER 2017]

However, notwithstanding the above, it is agreed that each entity constituting the Contractor may choose to pay directly in cash the tax on its industrial and commercial profits for any given Fiscal Year.

In this case, the tax will be paid by the entity concerned in instalments:

- simultaneously to the payments to be made by PETROCI under article 16.6 below; or

- within forty-five (45) days running from the date the Government removed its part in the Remaining Production, in the event that the Government, in accordance with article 16.5, chooses to receive all of its share in kind.

The instalment amounts to be paid, as stated above, will each be equal to the value based on the selling price defined in article 18 below, of the portion the Government received as its share in the Remaining Production, for the payment of the entity concerned.

As soon as the entity in question has paid the required instalment as a result of the above, the Government shall remit to that entity, in compensation, an amount identical to the aforementioned portion that the Government has previously received. The determination of the quantity of Crude Oil and the allocation of Crude Oil to this entity will be made as much as possible during the first collection following the payment of the income tax.

At the end of the Fiscal Year, where the instalment amounts the entity has paid for the Fiscal Year in question is higher or lower than the amount of the tax actually due, an appropriate adjustment will be made either by the entity settling the balance, either by the entity or the Government paying the equivalent amount. No adjustment will occur after the end of the Agreement.

16.4. The Government may receive its share of production defined in article 16.3, either in cash or kind, with the understanding that for budget purposes, fifteen percent (15%) of this share of production shall be allocated to the State's *Fonds d'Actions Pétrolières* [Petroleum Share Fund] and shall not entail any additional charge for the Contractor.

16.5. If the Government wants to receive any or all of its share of production defined in article 16.3 in kind, it shall advise the Contractor to this effect in writing at least ninety (90) days before the start of the Calendar Quarter in question, specifying the exact quantity it wishes to receive in kind during said Calendar Quarter.

For this purpose, the Contractor shall not sign any commitment to sell the Government's share of production with a term longer than one (1) year without the Government's written consent.

16.6. If the Government wishes to receive any or all of its share of production defined in article 16.3 in cash, or if the Government has not notified the Contractor of its decision to receive its share of production in kind in accordance with article 16.5, PETROCI is required to sell the Government's share of production and to pay it, within thirty (30) days after receipt of payment, the amount equal to the quantity corresponding to the Government's share of production multiplied by the sales price defined in article 18 less the charges incurred by such operation.

ARTICLE 17: TAX SYSTEM

17.1. Subject to any provisions to the contrary in this Agreement, the Contractor, as a result of its Petroleum Operations, shall be subject to the applicable laws and regulations in effect in the Republic of Côte d'Ivoire with respect to Duties and Taxes, and including the requirements relating to providing tax returns as well as the calculation of taxes and tax contributions and the Contractor shall file any declarations that may be required for this purpose.

It is specifically acknowledged that the provisions of this article apply individually with respect to all entities comprising the Contractor pursuant to this Agreement.

The Contractor shall maintain, by Fiscal Year, separate accounting from the Petroleum Operations, in accordance with current legislation in the Republic of Côte d'Ivoire, especially

in order to establish a production and income account as well as a balance sheet showing the results of the Petroleum Operations as well as the assets and liabilities allocated or related thereto.

17.2. For application of the provisions of article 17.1, the Contractor, according to its net earnings derived from the Petroleum Operations, is subject to direct taxation on industrial and commercial earnings as established in the General Tax Code.

In accordance with the provisions of article 16.3 and 21.3.1, the Contractor shall not be subject to any payment to the Government for said tax. From the point of view of the tax authorities of the Republic of Côte d'Ivoire, the share of Hydrocarbons that the Contractor is authorised to receive pursuant to the provisions of articles 16.2, 16.3, 21.1.5, 21.2.4 and 21.3.1 is considered to represent the recovery of Petroleum Costs and the net earnings reverting to the Contractor after tax on industrial and commercial income.

17.3. In order to determine the net taxable earnings of the Contractor for a Fiscal Year, the production and income account shall be credited with:

a) the gross annual revenue of the Contractor reported in its accounting books, from the sale of the quantity of Hydrocarbons it has pursuant to the articles 16.2, 16.3 and 21.3.1.

The Contractor shall endeavour to obtain an export price for the Crude Oil that most closely reflects the international market rate at the time of establishing the price.

b) all other revenue or proceeds related to the Petroleum Operations, especially including those from:

- the sale of related substances;
- the processing, transportation or storage of products for Third Parties at the facilities allocated to the Petroleum Operations.
- Subject to article 17.7, gains realised at the time of assigning or transferring any assets of the Contractor, or the full or partial assignment of the rights and obligations arising out of this Agreement. Nevertheless, a gain cannot result from any transfer (i) that does not entail an actual payment in cash or kind by the transferee to the transferor or recovery of a liability already booked by the transferor or (ii) that cannot be considered in any way a financial profit;
- foreign exchange gains realised from the Petroleum Operations.

c) the value of the share of Hydrocarbons taken by the Government, in accordance with the last section of article 16.3 and the penultimate section of article 21.3.1, in payment of the income tax indicated in article 17.1 for the Fiscal Year in question.

17.4. This same production and income account shall be debited in the amount of all charges required for the needs of the Petroleum Operations for the Fiscal Year in question, the deduction of which is authorised by applicable laws in the Republic of Côte d'Ivoire and the provisions of this Agreement.

The charges that may be deducted from income for the Fiscal Year in question specifically include the following:

a) Besides the charges explicitly indicated below in this article 17.4, all other Petroleum Costs, including the cost of supplies, personnel and labour expenses, and the cost of services provided to the Contractor for the Petroleum Operations. Nevertheless:

- the cost of supplies, personnel and services provided by Affiliated Companies shall be deductible insofar as they do not exceed those normally invoiced under free market conditions between an independent buyer and seller for the identical or similar services.
- fixed asset expenses shall be amortised as of the start of commercial production in the Delimited Region. The amortisation deductible for the Fiscal Year in question shall be equal, at most, to the difference, if positive, between the amount of the Petroleum Costs recovered for the Fiscal Year in question pursuant to article 16.2, and the total of other amounts charged to the production and income account in accordance with this article 17.4.

b) The overheads related to the Petroleum Operations performed within the context of this Agreement, including in particular:

- the leasing expenses for movable and immovable property and insurance premiums, and
- a reasonable share, in relation to the services rendered for the Petroleum Operations performed in the Republic of Côte d'Ivoire, wages and salaries paid to directors and employees residing abroad, and administrative overheads of the central offices of the Contractor and the Affiliated Companies working on its behalf, located abroad, and the indirect expenses incurred by said central offices abroad on their behalf. The overheads paid abroad may not under any circumstances be greater than the limits established in the Accounting Procedure.

c) The actual amount of interest and commission fees paid to the creditors of the Contractor, within the limits established in the Accounting Procedure. Shareholders and Affiliated Companies shall not be considered as "third parties" pursuant to article 72.3 of the Petroleum Code and, as a result, any advances and loans made to them outside of the Republic of Côte d'Ivoire shall not be submitted for approval by the petroleum administration indicated in said article, but shall be declared to it and, in accordance with the previous section, shall also be subject to the limitations established in the Accounting Procedure.

d) Losses of equipment or assets resulting from destruction or damage, assets to be waived or abandoned during the year, irrecoverable receivables, compensation paid to Third Parties for damages.

e) Reasonable and justified provisions established to cover clearly identified subsequent losses or expenses that are likely according to current situations, especially provisions for abandonment costs established pursuant to article 20.8.

f) Any other losses or charges directly related to the Petroleum Operations, as well as bonuses and amounts paid during the Fiscal Year pursuant to article 19 and articles 30.2, 30.3 and 30.4, with the exception of the amount of direct income tax determined in accordance with the provisions of this article.

g) The uncleared amount of losses from prior Fiscal Years in accordance with the legislation of the Republic of Côte d'Ivoire.

17.5. The net taxable income of the Contractor shall be equal to the difference, if positive, between the total amounts credited and the total amounts debited to the production and income account. If this amount is negative, it constitutes a loss.

17.6. Within three (3) months following the close of a Fiscal Year, each entity comprising the Contractor shall send the appropriate tax authorities its annual income tax declaration, accompanied by financial statements, as required by current legislation in the Republic of Côte d'Ivoire.

The Government, after examining said annual declaration and ascertaining payment of the tax, shall issue to the Contractor, within a reasonable time period, the tax vouchers and all other documents showing that the Contractor has performed, for the Fiscal Year in question, all of its fiscal obligations in terms of the industrial and commercial income tax as defined in this article. These tax receipts issued in the Contractor's name will state the amount of tax paid on income and will present the information and related matters in detail.

17.7. Outside of the industrial and commercial income tax as defined in this article and the bonuses indicated in article 19, the Contractor shall be exempt from all national, regional or municipal taxes, duties, levies or contributions of any type imposed on the Petroleum Operations and all related income or, more generally, property, durable goods (including offshore storage vessel), activities or actions of the Contractor (including its establishment and operation for performance of this Agreement).

The agents, subcontractors, suppliers and Affiliated Companies of the Contractor shall also be exempt from all national, regional or municipal taxes, duties, levies or contributions of any type imposed on the Petroleum Operations and all related income, in particular including but not limited to turnover tax, value added taxes (VAT), tax on banking transactions Taxes sur les opérations bancaires, (or TOB), tax on non-commercial income (BNC), tax on credit income (IRC) and on industrial and commercial income (BIC), due on sales or purchases, work performed and services rendered to the Contractor within the context of this Agreement.

Pursuant to the foregoing, the Contractor is presumed to have paid, in the name and on behalf of its agents, subcontractors and suppliers and Affiliated Companies, the taxes described above by allocating to the Government the share of Hydrocarbons due to it pursuant to articles 16.3 and 21.3.2 below; consequently, the benefit of the certificate issued by the Government to the Contractor by virtue of the payment of taxes on the portion of Hydrocarbons attributed to it pursuant to articles 16.3 and 21.3.1 extends to the agents, subcontractors, suppliers and Affiliated Companies of the Contractor.

Shareholders of the entities comprising the Contractor and their Affiliated Companies shall also be exempt from all taxes, duties, levies and contributions for dividends received, credits, loans and related interest, purchases, transportation of Hydrocarbons for export, services rendered and in general, on all income and activities in the Republic of Côte d'Ivoire related to the Petroleum Operations.

In addition to the exemptions provided for under the Petroleum Code, assignments of all types between the companies that are party to this Agreement, themselves or between them and their

Affiliated Companies, as well as any other transfer carried out in accordance with the provisions of article 35, shall be exempt from all duties or taxes due for this purpose. Assignments of all types between the companies that are party to this Agreement and Third Parties shall be subject to payment of fees as defined in article 35.

Pursuant to the provisions of this article and the provisions relative to the customs system, the Contractor shall submit for approval by the Director General of Hydrocarbons a list of subcontractors, suppliers and Affiliated Companies providing goods and services within the context of performance of this Agreement. Such approval shall not be unreasonably withheld and if not approved within forty five (45) days shall be deemed approved. A copy of the approved list shall be forwarded by the Director General of Hydrocarbons to the General Tax Office and also to the General Customs Office. This list shall be subject to revision and periodic amendment as the Agreement is performed.

17.8. As an exception to the foregoing provisions, property taxes shall be due under the conditions of ordinary law on residential property in force in the Republic of Côte d'Ivoire, and the above-mentioned exemptions do not apply to duties, taxes and fees due in exchange for services rendered by Ivoirian government administrations, collectivities and public institutions.

Nevertheless, the tariffs applied in this respect vis-à-vis the Contractor and its contractors, transporters, clients and agents shall remain reasonable in relation to the services rendered and shall correspond to tariffs generally applied for these same services by said government administrations, collectivities and public institutions.

ARTICLE 18: SALES PRICE OF CRUDE OIL

18.1. For the purposes of this Agreement, and especially for application of articles 16.2, 16.6, 17, 22 and 27, the price of the Crude Oil shall be the "**Market Price**" F.O.B. at the point of Delivery of the Crude Oil, expressed in Dollars per barrel and payable at thirty (30) days from date of Bill of Lading, as determined below for each Calendar Quarter.

A Market Price shall be determined for each type of Crude Oil or blend of Crude Oils.

18.2. The Market Price applicable to Crude Oil lifted during a Calendar Quarter shall be calculated at the end of said Calendar Quarter and shall be equal to the weighted average sales price of Crude Oil from the Delimited Region obtained during said Calendar Quarter by the Contractor and the Government from independent buyers, adjusted to reflect the differences in quality and density as well as the F.O.B. delivery terms and payment terms, provided that the quantities sold in this manner to independent buyers during the Calendar Quarter in question represent at least thirty percent (30%) of the total quantities of Crude Oil from the Delimited Region sold during said Calendar Quarter.

18.3. In the event that these sales to independent buyers are not performed during the Calendar Quarter in question or do not represent at least thirty percent (30%) of the total quantities of Crude Oil from the Delimited Region sold during the course of the said Calendar Quarter, the Market Price shall be determined, for sales of Crude Oils of a quality similar to the Crude Oil of the Delimited Region intended for the same markets as those on which the Ivoirian Crude Oil would normally be sold, based upon prices applied on the international market during this Calendar Quarter between independent buyers and sellers published during this Calendar Quarter in the "Platt's Oilgram Price Report" or any other document agreed between the Parties, adjusted

to take into account any differences in quality, density and transportation as well as the terms of sale and payment.

The government and Contractor shall select these reference Crude Oils at the beginning of each Calendar Year.

18.4. The following transactions shall specifically be excluded from the calculation of the Market Price of Crude Oil:

- **a)** sales in which the buyer is an Affiliated Company of the seller and the sales between entities comprising the Contractor;
- **b)** sales on the Ivorian domestic market pursuant to article 27.1, and
- **c)** sales entailing compensation other than payment in freely convertible currency and sales motivated, in whole or in part, by considerations other than the economic incentives that are usual in sales of Crude Oil on the international market (such as foreign exchange contracts, government to government sales or to governmental agencies).

18.5. Within (10) days following the end of each Calendar Quarter, the Government and the Contractor shall notify each other of the prices obtained for their share of production of Crude Oil from the Delimited Region sold to independent buyers during the Calendar Quarter in question, indicating for each sale the identity of the buyer, the quantities sold, the delivery and payment conditions.

Within twenty (20) days following the end of each Calendar Quarter, the Contractor shall determine, in accordance with the provisions of article 18.2 or article 18.3, whichever relevant, the Market Price applicable to the Calendar Quarter in question, and shall notify the Government of this Market Price, indicating the calculation method and all information used in calculating the Market Price.

Within thirty (30) days following receipt of the notice indicated in previous section, the Government shall verify the accuracy of the calculation of the Market Price and shall notify the Contractor of its acceptance or objections. If the Government fails to notify the Contractor within thirty (30) days, the Market Price indicated in the Contractor's notice in the previous section shall be deemed to be accepted by the Government.

In the event that the Government notifies objections to the Market Price, the Government and Contractor shall meet within fifteen (15) days following notification from Government to reach a mutual agreement on the Market Price. If the Government and Contractor do not reach an agreement on the Market Price applicable to a given Calendar Quarter within seventy-five (75) days following the end of this Quarter, the Government, or the Contractor, may immediately submit the matter to an expert, appointed in accordance with the following section, to determine the Market Price (including the determination of reference Crude Oils if the Government and Contractor have not determined it). The expert shall determine the price within thirty (30) days after the appointment, and his conclusions shall be final and binding upon the Government and Contractor. The expert shall render a decision in accordance with the provisions of this article.

The expert shall be chosen by agreement between the Government and Contractor or, if an agreement cannot be reached, by the International Centre for Technical Expertise of the International Chamber of Commerce (Chambre de Commerce Internationale or "**CCI"**) in accordance with its Expertise Regulations, at the request of the Government or the Contractor to do so. The expert's fees shall be borne by the Contractor and included in the Petroleum Costs.

18.6. In the event that it is necessary to provisionally calculate during a Calendar Quarter the Crude Oil price applicable to quantities lifted during said Calendar Quarter, said price shall be established as follows:

a) for all sales to independent buyers, the price applicable to this sale shall be the price obtained for the Crude Oil for said sale, adjusted to reflect the F.O.B. terms of delivery and the payment terms at thirty (30) days;

b) for all quantities lifted other than those quantities sold to independent buyers, the price applicable to this quantity lifted shall be the Market Price in effect in the previous Calendar Quarter or, if this Market Price has not been determined, a price established by mutual agreement between the Government and Contractor or, in the absence thereof, the last known Market Price.

When the Market Price for a Quarter has been definitively determined, any adjustments shall be made within thirty (30) days after the date of determining the Market Price.

ARTICLE 19: SIGNATURE BONUS

19.1. By way of signing bonus, the Contractor, with the exception of PETROCI, shall pay the amount of one million five-hundred thousand Dollars (US$ 1,500,000) to the competent department of the General Tax Direction of the Republic of Côte d'Ivoire, in accordance with articles 1056 and 1057 of the General Tax Code, within thirty (30) days following the Effective Date.

19.2 The payment indicated in article 19.1 is not recoverable and may not under any circumstances be considered as a Petroleum Cost, but shall be taken into consideration in calculating the tax in accordance with article 17.4.f).

ARTICLE 20: OWNERSHIP AND ABANDONMENT OF ASSETS

20.1. Title to all movable and immovable property acquired by the Contractor within the context of the Petroleum Operations, whether inside or outside of the Delimited Region, shall once per Calendar Year be transferred to the Government when the first of the following events occur:

a) the recovery by the Contractor of all of the corresponding Petroleum Costs; or

b) the waiver of any or all of the Delimited Region; or

c) upon expiration of this Agreement, or

d) upon termination of this Agreement.

The title shall be transferred free of any pledge or guarantee on the assets being transferred.

The provisions set forth in the first section of this article 20.1 shall not be applicable to assets owned by Third Parties or Affiliated Companies that are leased to the Contractor or made available to it within the context of the Petroleum Operations.

20.2. Despite the transfer of title referred to in article 20.1, the Contractor will have priority use of the said movable and immovable assets free of charge, within the framework of this Agreement subject to providing upkeep and maintenance in accordance with the Best Industry Practice of the international petroleum industry.

The Contractor may use said assets for the needs of its Petroleum Operations in the Republic of Côte d'Ivoire governed by other agreements by means of the Government billing a leasing fee, which shall not be greater than the fees billed by Third Parties for similar assets.

20.3. In the event that the assets mentioned in article 20.1 are used as collateral to Third Parties for financing the Petroleum Operations, the title to these assets shall not be transferred to the Government until after the Contractor completely repays the loans guaranteed by them and the guarantees are released. The Parties agree that collateral on loans contracted for financing the Petroleum Operations, before being implemented, must first be approved by the Government.

20.4. The transfer of title to the assets shall be documented in reports signed by the Government and the Contractor. The Contractor shall, every Calendar Year perform an inventory and appraisal of the movable and immovable property owned by the Government to the extent the same is required for insurance purposes.

20.5. If, upon waiver of the Delimited Region by the Contractor, the expiry or termination of this Agreement, the Government decides to not pursue the Petroleum Operations or to not retain the assets transferred to it in accordance with article 20.1, it shall notify the Contractor within no more than one hundred twenty (120) days following the date of written notification to the Government by the Contractor of its decision to waive the Delimited Region. In this case, the Contractor shall then be responsible for performing the abandonment work in accordance with the Best Industry Practice of the international petroleum industry and to remove the facilities, at its expense, corresponding to the abandoned zone that the Government decides to not accept.

20.6. The Contractor is responsible for dismantling and removing the facilities it erected or constructed within the context of its Petroleum Operations. For this purpose, it shall finance the costs related to the abandonment, and shall also remediate the site, in accordance with current pertinent legislation of the Republic of the Cote d'Ivoire and the Best Industry Practice of the international petroleum industry.

20.7. The development and production plan submitted to the Government by the Contractor in accordance with article 11.3.3 shall include a comprehensive abandonment plan (the "**Abandonment Plan**") relative to all developments and facilities in the Production Perimeter required by the Contractor as well as a remediation plan for the sites related to its Petroleum Operations**.**

Said Abandonment Plan shall be updated within the context of the Annual Work Programs and Budget in accordance with article 5, taking into account operational developments and changes in Best Industry Practice of the international petroleum industry.

20.8. In order to finance the cost of the abandonment work, an escrow account shall be established and funded by the Contractor during the production period of the Field, from the time production begins in the Field in question. This escrow account shall be opened and held

in a first class bank in the Republic of Côte d'Ivoire designated by the Contractor and approved by the Government.

As of the month of January following the date of the start in production in the Delimited Region, the Contractor shall deposit, each Calendar Quarter, a provision in the interest-bearing escrow account opened in the name of the Parties.

This escrow account, intended to cover the cost for abandoning the site, shall be jointly managed by the Government and the Operator, and funds may only be withdrawn, in the Parties' mutual agreement, exclusively to finance site abandonment activities approved by the Government.

Furthermore, the Government shall co-sign with the Contractor all requests to withdraw funds from the escrow account.

20.9. The total amount to be deposited in the escrow account shall be equal to the abandonment costs included in the approved development and production plan.

20.10. If the Delimited Region includes more than one Production Perimeter, the amount of the provision shall be subsequently increased in order to reflect the cost of fixed assets for the development of all of the Production Perimeters. Likewise, the total amount shall be adjusted each Calendar Year to reflect the new estimated abandonment costs in accordance with the Work Programme and Budget as approved by the Government.

20.11. The Contractor's annual contribution to the escrow account, hereinafter referred to as "**CACS**," for a given Calendar Year shall be calculated by means of the following formula:

CACS = (MGP - MCPV) PT/VRR where:

MGP is the total amount of the provision established in accordance with articles 20.9 and 20.10 for the given Calendar Year.

MCPV represents the cumulative amount of provisions deposited by the Contractor in the escrow account during prior Calendar Years (taking into account interest and other amounts accruing on deposits in the account),

PT is the Total Production for the Calendar Year in question in the Annual Work Program and the approved Budget, in accordance with article 5.

VRR is the estimated volume of remaining recoverable reserves in the Delimited Region that may be produced during the remaining term of the Agreement.

20.12. For each Calendar Year, and no later than the fifteenth (15 th) day of each Calendar Quarter, the Contractor shall deposit in the escrow account twenty-five percent (25%) of the CACS for that Calendar Year.

20.13. The contributions paid by the Contractor in the escrow account shall be recoverable Petroleum Costs in accordance with articles 16 and 21 of this Agreement.

20.14. All interest or expenses of any type incurred, or other income generated in relation to the escrow account shall be held in said account.

20.15. In the event that the cumulative amount of the escrow account is insufficient to perform the abandonment operations in the Delimited Region, the Contractor shall be required to satisfy the additional charges and expenses necessary to complete said operations within the term specified in the Abandonment Plan.

In the event that the amount of the escrow account is greater than the actual cost for abandoning the site, the balance in this account shall be shared in accordance with the last quantities lifted in accordance with the provisions of article 16.3 or of article 21.3.1, as the case may be.

20.16. If the Government decides that some or all of the facilities are to be returned to it upon expiration of the Agreement for any reason whatsoever, the balance of the escrow account will be transferred in whole or in part, after the financing of the total or partial abandonment, this partial abandonment having to be performed in accordance with the specific elements detailed in the Abandonment Plan, that is required of the Contractor, to the Government which will assume full responsibility for the abandonment of the asset thus delivered.

20.17. The temporary or permanent well abandonment programs shall be submitted at the same time as the drilling programs for said wells. The well abandonment work shall be supervised by the Government, at the expense and under the responsibility of the Operator. The results of the well abandonment work shall be submitted to the Government representative and approved by the latter or its representatives.

Save for the provisions under articles 20.1, 20.5 and 20.16, at the end of the Petroleum Operations, the Contractor shall perform the definitive abandonment work for all wells and all facilities related to the Petroleum Operations.

ARTICLE 21: NATURAL GAS

21.1. Non-associated Natural Gas

21.1.1. In the event of a discovery of Non-associated Natural Gas, the Contractor shall enter into discussions with the Government in order to determine whether the appraisal and production of said discovery is potentially commercial.

21.1.2. If the Contractor, after the above-mentioned discussions, believes that the appraisal of the Non-Associated Natural Gas discovery is justified, it shall undertake the appraisal work program for said discovery, in accordance with the provisions of article 11.

The Contractor shall be entitled, in order to evaluate the commerciability of the Non-Associated Natural Gas discovery, if it so requests at least thirty (30) days before expiration of the third exploration period indicated in article 3.3, to be granted an exclusive appraisal permit in relation to the Appraisal Perimeter of the above-mentioned discovery, for a duration of four (4) years.

Furthermore, the Contractor shall evaluate the possible outlets for the Non-Associated Natural Gas from the discovery in question, both on the local market and for export, as well as the means necessary for sale, and the Parties shall consider the possibility of jointly selling their shares of production in the event that the discovery of Non-Associated Natural Gas is not otherwise commercially producible. For this purpose, a Natural Gas advisory committee shall be established by the Parties to ensure, if appropriate, that it is coordinated and implemented.

21.1.3. After the appraisal work provided for in article 21.1.2, in the event that the Contractor decides to develop and produce this Non-Associated Natural Gas, the Contractor before the end of the appraisal period, shall submit an exclusive production permit application that the Government shall grant under the conditions set forth in article 12.1.

The Contractor shall then have the right and obligation to proceed with development and production of this Non-Associated Natural Gas in accordance with the approved development plan as set forth in article 11.3, and the provisions of this Agreement applicable to Crude Oil

shall apply *mutatis mutandis* to the Non-Associated Natural Gas, subject to the special provisions set forth in article 21.1.

21.1.4. If the Contractor believes that the appraisal of the Non-Associated Natural Gas discovery in question is not justified, the Contractor shall abandon its rights to the area surrounding said discovery, upon expiration of the exclusive exploration permit.

If the Contractor, after the appraisal work, provided for in article 21.1.2 believes that the Non-Associated Natural Gas discovery is not commercial, the Contractor shall abandon its rights to the area surrounding said discovery, either upon expiration of the exclusive exploration permit or upon expiration of the exclusive appraisal permit relative to said discovery, if the same is after the former, unless said area is included in an exclusive production permit prior to this date.

In each case, the Contractor shall lose all rights to the Non-Associated Natural Gas that may be produced from said discovery, and the Government may then perform all appraisal, development, production, processing, transport and marketing work relating to this discovery, or have such work performed, without any consideration given to the Contractor, provided, however, that it does not jeopardise performance of the Petroleum Operations of the Contractor.

If, after the appraisal work performed on a discovery, the Contractor believes that the Non-Associated Natural Gas Field is potentially commercial, but the current commercial outlets do not allow profitable production of said Field, the Contractor may:

a) either request the Government to hold this Field for a period of five (5) years to allow it to research sufficient outlets for profitable production of said Field; this period may be renewed provided that the Contractor justifies its efforts to achieve this objective. After this period ends, the Contractor shall abandon all of its rights to the area surrounding the discovery;

b) or immediately abandon its rights to the area surrounding the discovery.

21.1.5. In order to recover the Petroleum Costs related to the Non-Associated Natural Gas, the Contractor may take, free of charge each Calendar Year, a portion of the production of Non-Associated Natural Gas that under no circumstances may exceed eighty-five percent (85%) of the Total Production of Non-Associated Natural Gas of the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs related to the Non-Associated Natural Gas actually incurred and paid.

If, during a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article exceed the equivalent of eighty-five percent (85%) of value of the Total Production of Non-Associated Natural Gas from the Delimited Region, calculated as indicated above, the balance of the Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the subsequent Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be

added to the Development Expenditures that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 21.1.5

21.2. Associated Natural Gas

21.2.1. In the event of a commercial discovery of Crude Oil, the Contractor shall specify in the report indicated in article 11.3.3 whether the production of Associated Natural Gas (after processing said Associated Natural Gas in order to separate the Hydrocarbons that may be considered as Crude Oil pursuant to articles 16.2 and 16.3) is likely to exceed the quantities necessary for the needs of the Petroleum Operations relating to the production of Crude Oil (including the reinjection operations), and whether it believes that this surplus is likely to be produced in commercial quantities.

In the event that the Contractor has notified the Government of such surplus, the Parties shall jointly evaluate the possible outlets for this surplus Associated Natural Gas, both on the local market and for export (including the possibility of jointly selling their shares of production of this surplus Associated Natural Gas in the event that this surplus is not otherwise commercially producible), as well as the means necessary for sale.

In the event that the Parties agree that the development of the surplus Associated Natural Gas is justified, or in the event that the Contractor wants to develop and produce this surplus for export, the Contractor shall indicate, in the development and production program indicated in article 11.3.3, the additional facilities necessary for the development and production of this surplus and an estimate of the related costs.

The Contractor shall then be entitled to proceed with development and production of this surplus Associated Natural Gas in accordance with the development and production program approved by the Government under the conditions set forth in article 11.3.6, and the provisions of the Agreement applicable to Crude Oil shall apply *mutatis mutandis* to the surplus Associated Natural Gas, subject to the special provisions set forth in article 21.3.

A similar procedure shall be applicable if the sale or the marketing of the Associated Natural Gas is decided mutually by the Parties during production of the Field.

21.2.2. In the event that the Contractor does not consider the production of the surplus Natural Gas to be justified and if the Government, at any time, wishes to use it, the Government shall notify the Contractor to this effect, in which case:

a) The Contractor shall make available to the Government, free of charge, at the exit of the Crude Oil and Natural Gas separation facilities, some or all of the surplus Associated Natural Gas that the Government wants to lift;

b) The Government shall be responsible for collection, processing, compression and transportation of this surplus, from the above-mentioned separation facilities, and shall bear all additional related costs, and

c) The construction of the facilities necessary for the operations indicated in section b) above, as well as lifting of this surplus by the Government, shall be performed in accordance with the Best Industry Practice in the international petroleum industry and

in such a way so as to not disturb production, lifting and transportation of Crude Oil by the Contractor.

21.2.3. Any surplus Associated Natural Gas that is not used within the context of articles 21.2.1 and 21.2.2, shall be reinjected by the Contractor. Nevertheless, the Contractor shall be entitled to burn said gas in accordance with the Best Industry Practice in the international petroleum industry, provided that the Contractor provides the Government with a report showing that this Associated Natural Gas cannot be economically used to improve the recovery rate of Crude Oil by reinjection according to the provisions of article 15.6, and that the Government approves said burning, which approval shall not be refused without a valid reason.

Notwithstanding the above, where the circumstances so require, due to an emergency that may affect the safety of the facilities and persons, and after all remedies provided for by the Best Industry Practice in the international petroleum industry, the Contractor may flare the produced Natural Gas and, as soon as possible, inform the Government. The Contractor shall then remedy the emergency situation and stop flaring the Natural Gas as soon as possible, in accordance with the Best Industry Practice in the international petroleum industry.

21.2.4. In order to recover the Petroleum Costs related to the Associated Natural Gas, the Contractor may take, free of charge each Calendar Year, a portion of the production of Associated Natural Gas that under no circumstances may exceed seventy-five (75%) of the Total Production of Associated Natural Gas from the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs related to the Associated Natural Gas actually incurred and paid.

If, during a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article exceed the equivalent value of seventy-five percent (75%) of the Total Production of Associated Natural Gas from the Delimited Region, calculated as indicated above, the balance of the Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the subsequent Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be added to the Development Expenses that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 21.2.4.

21.3. Provisions common to Associated Natural Gas and Non-Associated Natural Gas.

21.3.1. The quantity of Natural Gas from the Delimited Region remaining during each Calendar Year after the Contractor has taken - from the Total Production of Natural Gas - the portion necessary in order to recover the Petroleum Costs in accordance with the provisions of article 21.1.5 and 21.2.4 hereinafter referred to as "**Remaining Production**," shall be shared between the Government and the Contractor for each portion as follows:

Portions of Total Daily Production (million cubic feet per day, MMCFD)	State's Share of the Remaining Production	Contractor's Share of the Remaining Production
0 to 100 MMCFD	28%	72%
101 to 250 MMCFD	33%	67%
251 to 500 MMCFD	38%	62%
Over 500 MMCFD	43%	57%

For application of this article 21.3, the Total Daily Production of Natural Gas shall be the average rate of the Total Daily Production of Natural Gas measured at the place stated in the approved development plan, by using the measuring tools and procedures in accordance with Best Industry Practice in the international petroleum industry, during the month in question from which, if applicable, the volume of Natural Gas that is required for the Petroleum Operations will be subtracted.

Thus, for a given Total Daily Production, the Contractor shall take the portion necessary for recovery of the Petroleum Costs in each portion of Total Daily Production of Natural Gas defined in the table above before sharing the Remaining Production between the Government and the Contractor according to the rates agreed as above.

For purposes of applying the tax legislation of the Republic of Côte d'Ivoire, the quantity of Natural Gas that the Government shall receive during the course of each Calendar Year, pursuant to article 21.3.1, shall include the portion necessary to pay all tax(es) of the Contractor in the Republic of Côte d'Ivoire that may be imposed on its income. The Government agrees to pay on this portion all income tax(es) in the name and on behalf of the Contractor, and to send the Contractor the official vouchers for these payments as set forth in article 17.6. In order to determine the value of said portion necessary for payment of income tax, the Government shall use the sales price defined in article 21.3.7. The share of Crude Oil made available to the Government representing income tax shall be determined separately and specified in accordance with the provisions of this article.

However, notwithstanding the above, it is agreed that each entity constituting the Contractor may choose to pay directly in cash the tax on its industrial and commercial profits for any given Fiscal Year.

In this case, the tax will be paid by the entity concerned in instalments:

- simultaneously to the payments to be made by PETROCI where PETROCI is responsible for selling the Government share in the Remaining Production; or
- within forty-five (45) days running from the date the Government removed its part in the Remaining Production, in the event that the Government chooses to receive all of its share in kind.

The instalment amounts to be paid, as stated above, will each be equal to the counter value based on the selling price defined in article 21.3.7 below, of the portion the Government received as its share in the Remaining Production, for the payment of the entity concerned.

As soon as the entity in question has paid the required instalment as a result of the above, the Government shall remit to that entity, in compensation, an amount identical to the aforementioned portion that the Government has previously received.

At the end of the Fiscal Year, where the instalment amounts the entity has paid for the Fiscal Year in question is higher or lower than the amount of the tax actually due, an appropriate adjustment will be made either by the entity settling the balance, or by the entity paying the equivalent amount to the Government. No adjustment will occur at the end of the Agreement.

21.3.2. The Government may receive its share of production defined in articles 21.1.5 and 21.2.4, either in cash or kind, in accordance with the provisions in article 21.3.3 and 21.3.4, with the understanding that for budget purposes, fifteen percent (15%) of this share of production shall be allocated to the State's *Fonds d'Actions Pétrolières* [Petroleum Share Fund] and shall not entail any additional charge for the Contractor.

21.3.3. If the Government wants to receive any or all of its share of production defined in article 21.3.1 in kind, the Government shall advise the Contractor to this effect in writing at least three (3) months before the start of each Calendar Quarter, specifying the exact quantity it wishes to receive in kind during said year.

For this purpose, the Contractor shall not sign any commitment to sell the Government's share of production with a term longer than one (1) year without the Government's written consent.

21.3.4. If the Government wishes to receive any or all of its share of production defined in article 21.3.1 in cash or if the Government has not notified the Contractor of its decision to receive its share of production in kind in accordance with article 21.3.3, the Contractor is required to sell the Government's share of production and to pay it, within thirty (30) days after receipt of payment, the amount equal to the quantity corresponding to the Government's share of production multiplied by the sales price defined in article 21.3.7 less the charges incurred by such operation.

21.3.5. In order to encourage the production of Natural Gas, the Government may allow the Contractor special advantages when duly justified, especially with regard to the recovery of Petroleum Costs, production sharing, the bonuses and PETROCI's participating interest, provided that each of these special advantages relates to the production of Natural Gas.

21.3.6. The Contractor shall be entitled to sell its share of production of Natural Gas, in accordance with the provisions of this Agreement. It shall also be entitled to separate liquids of all Natural Gas produced, and to transport, store, and sell on the local market or for export its share of the separated liquid Hydrocarbons, which shall be considered as Crude Oil for the purposes of sharing between the Parties according to article 16.

21.3.7. For the purposes of this Agreement, the price of the Natural Gas, expressed in Dollars per million BTUs, shall be equal to the actual price determined in the Natural Gas sales agreements, said sales specifically excluding:

a) sales in which the buyer is an Affiliated Company of the seller as well as sales between entities comprising the Contractor, and

b) sales entailing compensation other than payment in freely convertible currency and sales motivated, in whole or in part, by considerations other than economic incentives that are usual in sales of Natural Gas.

For the sales indicated in sections a) and b) above, the price of the Natural Gas shall be determined by mutual agreement between the Government and the Contractor, or between the Contractor and a Third Party based upon the market price at the time of said sales of a substitute fuel for Natural Gas.

21.3.8. In the event that the Contractor wishes to separate from the Natural Gas some or all of the liquid Hydrocarbons according to procedures it determines, the Natural Gas shall be measured after the Contractor separates the liquid Hydrocarbons from the Natural Gas.

ARTICLE 22: PETROCI'S PARTICIPATING INTEREST

22.1. As a result of work previously performed in the Delimited Region, PETROCI, as of the Effective Date, is associated with the entities comprising the Contractor, to share in the Petroleum Operations, at a rate of ten percent (10%) (hereinafter referred to as "**Initial Participating Interest**").

PETROCI, pursuant to and *pro rata* to its Participating Interest, benefits from the same rights and is subject to the same obligations as those of the Contractor defined in this Agreement, subject to the provisions of this article.

22.2. Within the context of the policy of promoting the petroleum industry in the Republic of Côte d'Ivoire defined by the Government, PETROCI shall have the option to increase, within a Production Perimeter, the rate of its participating interest, in accordance with the following provisions:

a) PETROCI shall be entitled to obtain an additional participating interest (hereinafter referred to as "Additional Participating Interest") of two percent (2%) which the Operator cannot refuse.

b) Within four (4) months from the date of granting an exclusive production permit, PETROCI shall notify the other entities comprising the Contractor of its desire to exercise its option to increase its Participating Interest relative to the related Production Perimeter, specifying the percentage of its Additional Participating Interest for said Production Perimeter. If it does not make said notification within four (4) months, PETROCI's participating interest for this Production Perimeter shall remain the same as its Initial Participating Interest.

c) The Additional Participating Interest shall become effective, for the Production Perimeter in question, from the date of notification indicated in article 22.2.b) above.

d) Upon receipt of the written notification from PETROCI, all of the entities comprising the Contractor other than PETROCI shall transfer to PETROCI, immediately and jointly, each *pro rata* to its Participating Interest at that time, a percentage of their participating interest in the Production Perimeter in question, the total of which shall be equal to the percentage of the Additional Participating Interest of PETROCI.

e) As of the date of its Additional Participating Interest, or in the absence of the notification indicated in article 22.2.b), PETROCI:

- shall participate, *pro rata* to its Additional Participating Interest, in the Petroleum Costs relating to the corresponding Production Perimeter, with regard to the relevant exclusive production permit;
- If the permit in question is the first exclusive production permit, as indicated in article 22.2.g) PETROCI shall reimburse the other entities comprising the Contractor the percentage of its Additional Participating Interest in the Petroleum Costs not yet recovered, incurred from the Effective Date up to the date of notification of its Additional Participating Interest, and
- For each subsequent exclusive production permit, as indicated in article 22.2.g), PETROCI shall reimburse the other entities comprising the Contractor the percentage of its Additional Participating Interest in the Petroleum Costs relating to the new Production Perimeter not yet recovered, incurred from the date of notification of the Additional Participating Interest relating to the previous exclusive production permit up to the date of notification of the Additional Participating Interest for the new exclusive production permit.

f) Taking into account the previous work already undertaken in the Delimited Region, PETROCI's Initial Participating Interest shall entail for PETROCI, throughout the duration of this Agreement, neither the financing nor the reimbursement of its share of the Petroleum Costs, which Petroleum Costs are borne and recoverable by the other entities comprising the Contractor, in accordance with articles 16.2, 21.1.5 and 21.2.4, each *pro rata* to its Participating Interest.

Furthermore, PETROCI's Additional Participating Interest shall entail for PETROCI neither a share nor reimbursement *pro rata* to its Additional Participating Interest of the expenses and costs related to carrying its Initial Participating Interest.

g) As indicated in article 22.2.e) PETROCI shall reimburse the other entities comprising the Contractor the amounts due for its Participating Interest, as follows, at PETROCI's option:

- either within six (6) months from the date of notification of the increase in its Participating Interest, by payments in Dollars or through payments in Crude Oil appraised in accordance with the provisions of article 18;
- or in kind, by way of withholding, by the other entities constituting the Contractor, taking a portion of PETROCI's share of Hydrocarbons under Articles 16.3 and 21.3, at a rate of fifty percent (50%) of said share, the value of this portion being calculated in accordance with the provisions of article 18, until the value of these withholdings taken is equal to the remaining balance due plus interest as indicated below. The balance of the remaining amount due upon expiration of the period of six (6) months as indicated above shall accrue interest, from this date until the date of reimbursement, at the annual LIBOR (London Interbank Offered Rate) for Dollar deposits at six (6) months as published electronically by ICE Benchmark Administration Limited for the last business day prior to the date of payment plus one percentage (1) point, compounded annually.

In the event that PETROCI sells all or part of its interest arising from its Additional Participation to a company other than a State-controlled company or body, subject to the association agreement between the entities constituting the Contractor, in accordance with Article 22.3.e), the above

reimbursement will be made in Dollars, within the three (3) months following the actual completion of the sale.

22.3.

a) PETROCI shall not be required to contribute, *pro rata* to its Initial Participating Interest or Additional Participating Interest, to the payment of the bonus defined in article 19 and the budgets defined in article 30, which are payable in full by the other entities comprising the Contractor.

a) The association of PETROCI with the Contractor may not under any circumstances cancel or affect the rights of the other entities comprising the Contractor to use the arbitration clause set forth in article 32, which is not applicable to disputes between the Government and PETROCI but only to disputes between the Government and the other entities comprising the Contractor.

b) PETROCI, on the one hand, and the other entities comprising the Contractor, on the other hand, shall not be jointly and severally liable for the obligations derived from this Agreement, as set forth in article 34. PETROCI shall be individually liable with respect to the Government for its obligations pursuant to this Agreement.

c) Any failure by PETROCI to perform any of its obligations shall not be considered as a breach by the other entities comprising the Contractor, and may not under any circumstances be used by the Government to terminate this Agreement, in accordance with article 37.4, or to initiate the procedure set forth in article 37.3.

d) PETROCI may at any time assign to a company of its choice, controlled by the State, any or all of the rights and obligations derived from the Additional Participating Interest indicated in this article.

22.4. The conditions for PETROCI's Participating Interest and the relations between the entities comprising the Contractor are determined in a Partnership Agreement that shall become effective as of the Effective Date.

ARTICLE 23: FOREIGN EXCHANGE CONTROL

23.1. The Contractor shall be subject to the foreign exchange control regulations of the Republic of Côte d'Ivoire, subject to the provisions of this article.

23.2. The Contractor shall be entitled to retain abroad all currencies from the export sales of Hydrocarbons allocated to it by this Agreement, or transfers, as well as its own equity, loan proceeds and, in general all assets it acquires abroad, and to freely dispose of these foreign currencies or assets to the extent that they exceed the needs of its operations in the Republic of Côte d'Ivoire.

23.3. No restriction shall be imposed on loans abroad and the importation of funds by the Contractor intended for the performance of the Petroleum Operations.

23.4. The Contractor shall be entitled to purchase Ivoirian currency with foreign currencies, and to freely convert to the foreign currencies of its choice all funds it holds in the Republic of

Côte d'Ivoire that exceed its local needs, at exchange rates that shall not be less favourable than those generally applicable to any other buyer or seller of foreign currencies.

23.5. The Contractor shall be entitled to pay directly abroad its suppliers not domiciled in the Republic of Côte d'Ivoire for goods and services that are necessary to perform the Petroleum Operations.

23.6. The provisions of this article 23 apply to the Contractors' subcontractors incorporated abroad as well as their expatriate employees.

23.7. The expatriate employees of the Contractor, or any of its agents, contractors and subcontractors shall be entitled to freely send abroad a portion of their salaries paid in the Republic of Côte d'Ivoire and any investment income earned on these salaries.

ARTICLE 24: CURRENCY UNIT USED FOR BOOKKEEPING

24.1. The accounting records and books relating to this Agreement shall be kept in French and denominated in Dollars. These accounts shall be used in order to determine the amount of Petroleum Costs, gross income, production expenses, net earnings and for preparation of the income declarations of the Contractor; they shall also include the accounts of the Contractor showing the sales of Hydrocarbons pursuant to this Agreement.

For information purposes, the accounts and balance sheets shall also be kept in CFA francs.

24.2. Whenever it is necessary to convert to Dollars the expenses and income denominated in another currency, the exchange rages used shall be equal to the arithmetic average of the daily closing purchase and sale rate for said currency during the month in which the expenses were paid and the income received provided that if the Contractor actually buys or sells a currency using another currency, the Contractor will use the effective exchange rate for the accounting records and books.

In the event of official devaluation or revaluation during a given month, two (2) arithmetic averages shall be applied, the first calculated based upon daily closing purchase and sale rate for the period from the first day of the month up to and including the day of such devaluation or revaluation, the second calculated based upon daily closing purchase and sale rate for the period from the day of such devaluation or revaluation, not inclusive, up to the last day of the month in question.

The exchange rate to be applied for the devaluations indicated in this article shall be the rates published on the Paris exchange market or, in the absence thereof, the rates published by Citibank N.A., New York.

24.3. The original accounting records and books indicated in article 24.1 shall be kept in the Republic of Côte d'Ivoire.

The accounting records and books shall be justified by detailed receipts for revenues and Petroleum Costs.

ARTICLE 25: ACCOUNTING METHOD AND VERIFICATIONS

25.1. The Contractor shall maintain its accounting records and books in accordance with current legislation applicable in the Republic of Côte d'Ivoire and the provisions of the Accounting Procedure indicated in appendix 2 attached hereto, which is an integral part of this Agreement.

25.2. The Government, after informing the Contractor in writing with notice of thirty (30) days, shall be entitled to inspect, examine and verify, through its own agents or by experts of its choice, the accounting records and books related to the Petroleum Operations, and shall have a term of four (4) Calendar Years following the end of each Calendar Year to perform the inspections, examinations or verifications for said Calendar Year and to submit to the Contractor its objections regarding all contradictions or errors detected during the inspections, examinations or verifications.

If the Government fails to submit a claim within the four (4) Calendar Years indicated above, no objection or claim from the Government for the Calendar Year in question shall be allowed.

25.3. At the end of the audit, the Government shall notify the Contractor of the preliminary audit report which shall mention all the points that do not comply with the Agreement. The Contractor then has fifty (50) days from the date of the Government's notice to provide the necessary supporting documents for the preliminary audit reportand, if necessary, the Contractor may obtain additional time that will not exceed thirty (30) days.

At the end of this process, the factors that do not comply with the Agreement and that are retained in the final audit report, will be the subject to accounting adjustments by the Contractor or rectifications, adjustments, or modifications by the Contractor.

<u>ARTICLE 26:</u> IMPORT AND EXPORT

26.1. a) The Contractor shall, in accordance with article 17.7, be entitled to import into the Republic of Côte d'Ivoire, on its behalf and on behalf of its subcontractors, all technical equipment, materials, equipment, machines and tools, devices, automotive vehicles, aircraft, spare parts and consumables, office and computer supplies and equipment, goods and supplies, necessary for the Petroleum Operations.

b) The Contractor shall also be entitled to import into the Republic of Côte d'Ivoire, on its behalf and on behalf of its subcontractors, the furnishings, clothing, household appliances and personal effects of all foreign employees and their family members, assigned to work in the Republic of Côte d'Ivoire on behalf of the Contractor or its subcontractors.

c) Nevertheless, the Contractor and its subcontractors agree to only import the goods indicated in article 26.1.a) insofar as said are not available in the Republic of Côte d'Ivoire at similar quantity, quality, price, payment terms and conditions, subject to special technical requirements or urgency presented by the Contractor, its agents, contractors or its subcontractors.

d) The Contractor, its agents, contractors and subcontractors, shall be entitled to re-export from the Republic of Côte d'Ivoire, free of all duties and taxes, at any time, all items imported according to articles 26.1 a) and 26.1 b) that are no longer necessary for the Petroleum Operations in accordance with the provisions of article 20.

26.2. All of the imports indicated in article 26.1 that the Contractor, its agents, contractors and subcontractors, their foreign employees and their family members are entitled to perform in one or more shipments to the Republic of Côte d'Ivoire, shall be fully exempt from all duties and taxes payable at entry.

The applicable administrative formalities, accordingly, shall be those of the following systems:

a) Exceptional temporary admission system, suspending all entry duties and taxes for the materials, equipment, machines and tools, automotive vehicles, goods and supplies necessary for proper performance of the Petroleum Operations, throughout the duration of use in the Republic of Côte d'Ivoire, including the continental shelf, with the understanding that for the materials, equipment, machines and tools, automotive vehicles, goods and supplies consumed during the Petroleum Operations or left on site, clearance of the Exceptional temporary admission shall be automatic upon a simple quarterly declaration and without paying duties and taxes.

In the event of duly justified urgency, the materials, equipment, machines and tools, automotive vehicles, goods and supplies shall be made available to users upon their arrival in the Republic of Côte d'Ivoire, with the administrative formalities relating to their admission being performed thereafter, as soon as possible.

b) Bunkering regime, for consumable products and goods, fuels and lubricants used offshore, especially on vessels, aircraft and oil exploration and production equipment.

c) Duty-free admission according to current legislation in the Republic of Côte d'Ivoire, for furnishings, clothing, household appliances and personal effects.

26.3. Articles other than those indicated in article 26.1 shall be subject to the ordinary laws of the Republic of Côte d'Ivoire.

26.4. The Contractor, its agents, contractors and subcontractors shall be entitled to sell in the Republic of Côte d'Ivoire, subject to notifying the Government in advance of their intent to sell and subject to the provisions of article 20, all equipment, materials, machines and tools, devices, automotive vehicles, spare parts and consumables, office and computer supplies and equipment, goods and supplies that they imported if they are considered to be surplus or are no longer necessary for the Petroleum Operations. In this case, the seller shall be required to pay all applicable duties and taxes as of the date of the transaction and to perform all formalities required by current legislation in the Republic of Côte d'Ivoire.

The Government shall have the preferential right to purchase all of the items listed above at prices and conditions equal to those accepted by Third Parties. This right shall be exercised within a term not exceeding the term accepted by said Third Parties for executing the purchase.

26.5. The Contractor, its clients and their shippers, throughout the term of validity of this Agreement, shall be entitled to freely export, at the point of export selected for this purpose, free of all duties and taxes payable at exit, at any time, the portion of Hydrocarbons to which the Contractor is entitled by virtue of the provisions in articles 16 and 21 of this Agreement.

26.6. All imports and exports made pursuant to this Agreement shall be subject to the formalities and documentation required by the customs authorities, but shall not entail any payment of entry

or exit duties and taxes, subject to the provisions of article 26.3, according to the regime for which the Contractor is eligible pursuant to the provisions of this Agreement.

ARTICLE 27: MAKING CRUDE OIL PRODUCTION AVAILABLE TO MEET NATIONAL DEMAND

27.1. Each Calendar Year, up to a total of ten percent (10%) of the share of Crude Oil production corresponding to the Contractor pursuant to the articles 16.2 and 16.3, shall be sold to PETROCI by the Contractor in order to meet the demand of the domestic market of the Republic of Côte d'Ivoire. Similarly, the Contractor will sell to PETROCI a total of up to ten percent (10%) of the Contractor's share of Natural Gas production under Articles 21.1.5, 21.2.4 and 21.3.1 to meet the needs of Republic of Côte d'Ivoire's internal market.

The contribution of the Contractor shall be proportional to its share of production, as defined in articles 16.2, 16.3, 21.1.5, 21.2.4 and 21.3.1, in relation to the total production of Crude Oil and Natural Gas in the Republic of Côte d'Ivoire.

The quantity of Crude Oil and Natural Gas that the Contractor shall be required to sell to PETROCI shall be notified to it by PETROCI at least three (3) months before the start of each Calendar Quarter.

27.2. The price of the Crude Oil sold to PETROCI under article 27.1 to meet the demand of the domestic market shall be equal to seventy-five percent (75%) of the Market Price defined in article 18.

The price of the Natural Gas sold to PETROCI under article 27.1 to meet the demand of the domestic market shall be equal to seventy-five percent (75%) of the Market Price defined in article 21.3.7.

The twenty-five percent (25%) allowance on the price of the Crude Oil and that of the Natural Gas sold to PETROCI to meet domestic demand shall be deemed to be Petroleum Costs and recoverable in accordance with article 16.2, 21.1.5 and 21.2.4.

27.3. The price of this Crude Oil and Natural Gas shall be payable to the Contractor, in CFA francs, two (2) months after receipt of the invoice, unless otherwise agreed between the Parties.

For the purpose of converting the Dollars into CFA francs, PETROCI will use the exchange rate specified according to the procedure provided in article 24.2.

ARTICLE 28: TRANSFER OF TITLE TO THE HYDROCARBONS AND LIFTING

28.1. The transfer of title and risks to the share of production of Hydrocarbons corresponding to each Party shall occur at the Point Of Delivery of the Natural Gas or at the Point of Transfer of the Crude Oil.

The Contractor shall not become the owner of the Hydrocarbons before this Point of Transfer of the Natural Gas or Crude Oil but it shall contract all insurance necessary in order to cover

any damage, loss or liability that may occur before the Point of Transfer of the Natural Gas or Crude Oil caused by the Contractor, its agents and its subcontractors.

28.2. The Government and the Contractor shall have the right and obligation, subject to the provisions of articles 16, 21 and 27.1, to lift and control the share of Hydrocarbons corresponding to it pursuant to this Agreement.

This share shall be lifted on as regular a basis as possible, with the understanding that each of the Parties, within reasonable limits, shall be authorised to lift more (overlift) or less (underlift) than its share of Hydrocarbons produced and not lifted on the day of lifting, provided that this overlift or underlift does not affect the rights of the other Parties and that it is compatible with the production rates and storage capacity.

In establishing the order of lifting, priority shall be given to the Party with the greatest quantity of Hydrocarbons produced and not lifted at a given time.

The Parties shall periodically meet to establish a provisional lifting program based upon the principles described above, taking into account the wishes of the Parties with regard to the dates and quantities of their liftings, insofar as their wishes are compatible with these principles.

Before the start of production in the Delimited Region, the Parties shall enter into a lifting agreement consistent with the principles expressed in this article.

ARTICLE 29: PROTECTION OF RIGHTS

29.1 The Contractor shall take all reasonable measures necessary to perform its obligations pursuant to this Agreement. It shall be held liable in accordance with the applicable laws and regulations of the Republic of Côte d'Ivoire with respect to any damage or loss which the Contractor, its employees, contractors, subcontractors or agents and their employees may cause to Third Parties, to the property or rights of other persons, due to or as a result of the Petroleum Operations.

29.2. The Government shall take all reasonable measures to facilitate the implementation by the Contractor of the objectives of this Agreement and protect the Contractor, the Contractor's assets and operations, and its employees and subcontractors in the Republic of Côte d'Ivoire.

29.3. Upon a duly justified request from the Contractor, the Government shall prohibit the construction of residential or commercial buildings near the facilities that the Contractor may declare to be hazardous as a result of its operations. It shall take the necessary precautions to prohibit mooring near pipelines submerged under river crossings, and to prohibit all interference with the use of any other facility necessary for the Petroleum Operations, both onshore and offshore.

29.4. The Contractor shall carry, and ensure that its contractors and subcontractors carry, for the Petroleum Operations, all insurance in the type and amounts in customary use in the international petroleum industry, especially third party liability insurance and insurance covering damage to the property, facilities, equipment and materials, notwithstanding other insurance that may be required according to Ivoirian legislation.

The Contractor shall provide the Government with proof of carrying the insurance indicated above. The insurance must be contracted from highly regarded insurance companies.

29.5. In the event that the Government may be held liable due to or as a result of the Petroleum Operations, the Contractor shall indemnify and hold the Government harmless from any claim, loss or damage whatsoever caused by or as a result of the Petroleum Operations to the extent that it is finally determined pursuant to applicable law, provided that said claims, losses or damage are not due in whole or in part to an action by the Government.

ARTICLE 30: PERSONNEL, TRAINING, EQUIPMENT AND SOCIAL WORK

30.1. The Contractor, for performing the Petroleum Operations, shall give priority to employing domestic labour from the Republic of Côte d'Ivoire, in accordance with the provisions after this article 30.1.

Non-Ivorian directors, technicians, engineers, accountants, geologists, geophysicists, scientists, chemists, drillers, foremen, mechanics, skilled labourers, secretaries and supervisors may only be hired by the Contractor outside of the Republic of Côte d'Ivoire if Ivoirian specialists with the same qualifications cannot be hired within the country or abroad, transferred from PETROCI or the petroleum administration.

Within ninety (90) days of the granting of an exclusive production permit, the Contractor shall submit a plan for the "Ivoirization" of its personnel to the Government for approval, and which shall be financed by the Contractor once approved.

For this purpose, the Contractor shall employ at least seventy percent (70%) of Ivoirian personnel no later than the anniversary date of the start of commercial production, at least eighty (80%) three (3) years after the start of commercial production, and at least ninety (90%) five (5) years after the start of commercial production.

If one of these objectives is not met, the Government may require the Contractor, excluding PETROCI, to establish a training program in order to achieve the targets stipulated above. Said training program shall be allocated an annual amount of not less than five hundred thousand Dollars (US$ 500,000), not recoverable as Petroleum Costs, and shall be submitted to the Government for approval.

30.2. Furthermore, the Contractor, excluding PETROCI, as of the Effective Date, shall fund a training program for the Ivoirian nationals. Said program shall cover all of the Petroleum Operations, from exploration through production, especially including but not limited to preparatory studies for the installation and performance of work (such as the geophysical campaign, drilling, production tests, development of a field) and the negotiation of contracts.

For the purposes of this article 30.2, "Ivorian nationals" means the Ivorian administration personnel in charge of hydrocarbons, the scholarship students of the ministry that is responsible for Hydrocarbons and PETROCI personnel.

For this purpose, the Contractor, excluding PETROCI, shall pay the Government a minimum annual training budget of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

No more than fifteen percent (15%) of the training budget shall be allocated to the executive management responsible for Hydrocarbons and the cabinet office of the ministry that is responsible for Hydrocarbons, for the participation by their staff in domestic or international conferences, seminars and missions (as well as their participation in their organisation) and for the carrying out of studies, in relation to the missions of the ministry that is responsible for Hydrocarbons.

30.3. The Contractor, except for PETROCI, agrees to pay the Government an annual budget for performing social works such as the construction of health care infrastructure (medical clinics, dispensaries, hospitals, health care centres, medical equipment or materials, etc.), educational infrastructure and social initiatives, for a minimum amount of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

30.4. The Contractor, except for PETROCI, also agrees to pay the Government an annual budget for the purchase, by the Government, of equipment, material, consumables and services, in a minimum annual amount of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

The annual equipment budget is aimed primarily at petroleum administration equipment and that of the ministry responsible for Hydrocarbons.

No more than fifteen percent (15%) of the training budget shall be allocated to the executive management responsible for Hydrocarbons and the cabinet office of the ministry that is responsible for Hydrocarbons, for the participation by their staff in domestic or international conferences, seminars and missions (as well as their participation in their organisation) and for the carrying out of studies, in relation to the missions of the ministry that is responsible for Hydrocarbons.

30.5. For the purposes of applying articles 30.2, 30.3 and 30.4, the Operator shall fund, from the first two weeks of each Calendar Year and for the first exploration period, no later than two (2) months after the date this Agreement is signed, the annual training, social welfare and equipment budgets, upon the Government Representative's written request including the details of the financing or expenses. The three (3) training, equipment and social welfare budgets are due in full for each Contractual Year including the years in which this Agreement was signed and terminated.

The training expenses and those related to social works and equipment and materials borne by the Contractor, other than PETROCI, will be treated as recoverable Petroleum Costs.

The unused annual training, equipment and social works budgets are carried forward to the next Calendar Year. At the end of each exploration period, the Operator shall, following instructions from the Government, transfer all the balances of the budgets to accounts designated for this purpose.

30.6 Foreign personnel employed by the Contractor, its agents and its subcontractors for the Petroleum Operations shall be authorised to enter the Republic of Côte d'Ivoire. The Government shall facilitate issuance of the administrative documents necessary for said personnel and their family members to enter and stay in the Republic of Côte d'Ivoire.

30.7. All employees required for conducting the Petroleum Operations shall be under the authority of the Contractor or its agents, contractors and subcontractors, in their capacity as employers. Their work, number of hours, wages, and all other conditions of their employment shall be determined by the Contractor or its agents, contractors and subcontractors, in accordance with legislation in force in the Republic of Côte d'Ivoire and the Best Industry Practice in the international petroleum industry. The Contractor, however, shall be free to select and assign its personnel, subject to the provisions of article 30.1.

ARTICLE 31: ACTIVITY REPORTS RELATED TO EXCLUSIVE PRODUCTION PERMITS

31.1. The provisions of article 11 shall apply, *mutatis mutandis,* to exclusive production permits. Furthermore, the following periodic activity reports shall be provided to the Government for each Field:

a) daily production reports, and

b) monthly reports indicating the quantities of Hydrocarbons produced and sold during the past month and the information on these sales in accordance with article 18.5.

Unless the Contractor consents in writing, the information on a Production Perimeter, with the exception of activity statistics, shall, in accordance with article 8.4 above, be considered by the Parties to be confidential throughout the duration of this Agreement.

31.2. The Contractor shall notify the Government as soon as possible of any significant damage of any type to the oil fields or facilities, and shall take all reasonable measures necessary to resolve it and make the necessary repairs.

31.3. As of the date of granting an exclusive production permit, the annual reports indicated in article 8.2 shall also contain the following:

a) information on all development and production operations performed during the past Calendar Year, including the quantities of Hydrocarbons produced and sold, if applicable;

b) information on all transportation operations and sales, as well as the location of the principal facilities constructed by the Contractor, if applicable, and

c) a statement indicating the number of employees and operations, with their qualifications, nationality, their given name and surnames, their number and employment start date.

ARTICLE 32: ARBITRATION

32.1. In the event of a dispute between the Government and the Contractor regarding or arising from this Agreement, the Parties shall endeavour to resolve this dispute amicably.

If, within ninety (90) days from the date of notification from one Party to the other of the dispute, the Parties are unable to resolve the dispute, it shall be submitted, at the request of the first Party to do so, to an arbitration procedure made up of three (3) arbitrators, in accordance with the applicable Arbitration Rules of the ICC.

No arbitrator shall be a national of the countries of origin of the Parties.

32.2. The place of arbitration shall be Paris (France). The language used in the proceedings shall be French, and the applicable law shall be Ivoirian law and in accordance with Best Industry Practice.

The award issued by the arbitral tribunal shall be definitive, binding upon the Parties and immediately enforceable.

The Parties formally and without reservation waive any right to attack such award, to impede its recognition and its execution by any means whatsoever.

32.3. The arbitration expenses shall be paid by the Parties according to ICC rules.

Performance by the Parties of their obligations arising out of this Agreement shall not be suspended during the period of arbitration.

32.4. The parties agree that this article will remain effective after the end of this Agreement.

ARTICLE 33: FORCE MAJEURE

33.1. No delay or failure by one Party in performing any of the obligations arising out of this Agreement shall be considered as a breach of said Agreement if this delay or failure is due to an event of Force Majeure.

33.2. In accordance with the terms of this Agreement, "**Force Majeure**" means any unforeseeable, unavoidable event that is beyond the control of a Party, which impedes, delays or prevents that Party from fulfilling its obligations under this Agreement and includes but is not limited to earthquakes, floods, accidents, strikes, lock-outs, riots, delays in obtaining rights of way, insurrections, civil disorder, sabotage, acts of war or circumstances attributable to war, acts of terrorism or any other cause beyond its control, similar to or different than those mentioned above.

In the event of a conflict in interpretation or an event of Force Majeure not listed above, the term "Force Majeure" shall be interpreted as closely as possible according to the principles and practices in the international petroleum industry, as well as the law of the Agreement.

If, following an event of Force Majeure, the performance of any of the obligations of this Agreement is deferred, the duration of the resulting delay, extended by the time that may be necessary to overcome the Force Majeure and to resume the Petroleum Operations, shall be added to the term indicated in this Agreement for performing said obligation, and the exclusive exploration,appraisal or production permits shall be protected accordingly with respect to the region affected by the Force Majeure.

33.3. When one Party believes that it is prevented from performing any of its obligations due to an event of Force Majeure, it must immediately notify the other Party, specifying the information such as to establish the Force Majeure, and shall take, in agreement with the other Party, all useful, necessary and reasonable steps to allow it to resume normal performance of the obligations affected upon cessation of the event constituting Force Majeure.

The obligations other than those affected by the Force Majeure shall continue to be performed in accordance with the provisions of this Agreement.

33.4. If a situation of Force Majeure continues for a period of twelve (12) months from the date of notice in accordance with article 33.3, the Contractor may, upon at least ninety (90) days written notice to the Government, terminate the Agreement.

ARTICLE 34: JOINT AND SEVERAL OBLIGATIONS AND WARRANTIES

34.1. All clauses, conditions and provisions of this Agreement shall be mandatory for the Parties and their respective successors and assigns. This Agreement constitutes the entire agreement between the Parties and no prior communication, promise or agreement, whether verbal or written, between the Parties relative to the subject of this Agreement may be invoked in order to amend the clauses hereof.

The Government certifies and warrants that there is no other agreement in effect concerning the petroleum rights of the Delimited Region, that it shall correctly and faithfully discharge its obligations, and this Agreement shall not be cancelled, amended or changed without the approval of the Parties.

34.2. Save for the contrary provisions in article 22.3.c), when the Contractor is composed of several entities, the obligations and liability of such entities by virtue of this Agreement shall be joint and several, it being understood that the Contractor shall not be jointly and severally liable for the income tax set forth in article 17.

34.3. The entities constituting the Contractor, its parent company or Affiliated Companies specficially BP Explorating Operating Company and Kosmos Energy Operating shall submit to the Government, for approval, within sixty (60) days running from the Effective Date an undertaking guaranteeing proper performance under the terms of the proper performance undertaking contained in Appendix 4.

ARTICLE 35: ASSIGNMENT RIGHTS

35.1. Subject to the written consent of the Government, which shall not be unreasonably withheld, with the exception of the provisions of article 22.3.e), the rights and obligations arising out of this Agreement may be assigned by any of the entities comprising the Contractor, in whole or in part, to Third Parties with a well-established technical and financial reputation.

The said Third Party assignees shall, together with the other entities that constitute the Contractor be jointly and severally liable for the obligations arising out of this Agreement.
The conditions for all assignments and for joint and several ownership shall be approved in advance by the Government.

If, within sixty (60) days following notification to the Government of a planned assignment, accompanied by all related information, and a draft of the assignment instrument, it has not notified its decision, this assignment shall be deemed to be approved by the Government.

As of the date of approval of an assignment, the assignee shall be bound by the terms and conditions of this Agreement, and in the event of full assignment, the assignor will no longer be bound by the terms and conditions of this Agreement.
Every assignment of rights or interests to Third Parties is subject to the payment of a transfer fee that is set in accordance with the law in force in the Republic of Côte d'Ivoire.

The fees that are fixed for this purpose, in accordance with article 17.7, will be borne by the assignee who must pay them within thirty (30) days following the date on which the transfer was approved.

35.2. Save for the provisions in article 22.3.e), the joint and several rights and obligations arising out of this Agreement may be freely assigned at any time, in whole or in part, by any of the entities comprising the Contractor to one or more Affiliated Companies, or to the other entities comprising the Contractor.

The Contractor shall notify the Government of said assignments before the effective date thereof and, if applicable, the provisions of article 34.2 shall be applicable.

35.3. The assignments made in violation of the provisions of this article are null and void.

ARTICLE 36: APPLICABLE LAW AND STABILITY OF CONDITIONS

36.1. The laws and regulations in effect in the Republic of Côte d'Ivoire and Best Industry Practice shall be applicable at all times to the Contractor, this Agreement and the operations it covers.

36.2. This Agreement is entered into by the Parties in accordance with the laws and regulations in effect at the time of execution and in relation to the provisions of said laws and regulations, especially with regard to its economic, tax and financial provisions.

As a result, in the event that (i) subsequent laws and regulations modify the provisions of laws and regulations in effect at the time of executing this Agreement or (ii) there is a change in the interpretation or application of any law, decree or regulation in the Republic of Côte d'Ivoire by a judicial, arbitral or administrative authority, and such modifications or changes entail a material change in the respective economic situation of Parties according to the current provisions of said Agreement, the Parties shall use their best endeavours to reach in good faith an agreement to change such provisions as necessary so as to re-establish the economic equilibrium of the Agreement as established at the time of execution of this Agreement. This provision applies mutatis mutandis to any case involving an international binding instrument applicable in the Republic of Côte d'Ivoire.

If, despite their efforts, the Parties cannot reach an agreement, the provisions of article 32 above may be applied.

36.3. The Parties agree that (i) the Petroleum Code establishes a special regime for oil companies and (ii) the Contractor may conduct the Petroleum Operations in accordance with Article 8 of the Petroleum Code.

ARTICLE 37: PERFORMANCE OF THE AGREEMENT

37.1. The Parties agree to cooperate in all manners possible in order to achieve the objectives of this Agreement.

For this purpose, a coordination committee ("**Coordination Committee**") composed of the Government, PETROCI and the Operator will be set up. This Coordination Committee will meet at least one (1) time during the Calendar Year and whenever necessary upon the justified request by one (1) of its members. The proposed agenda must accompany this request.

The Coordination Committee shall be chaired by the Government.

The Coordination Committee shall be a framework for information of the Government, by the Operator on the budgets, programs and performance of work and contractual obligations in the Delimited Region.

The Government shall facilitate the performance of activities by the Contractor by granting it all permits, licenses and rights necessary to perform the Petroleum Operations, and by making available to it all appropriate services and facilities, so that the Parties may get the most profit out of genuine cooperation. Nevertheless, the Contractor is required to comply with applicable procedures and formalities of the appropriate government departments.

37.2. All notifications or other communications referring to this Agreement shall be made in writing and shall be addressed to an authorised representative of the Party in question at the principal place of business in the Republic of Côte d'Ivoire of said Party by:

a) prepaid registered letter,
b) cable or telegram
c) telex or fax with acknowledgement of receipt, or
d) hand delivery with signed receipt.

Notifications shall be considered to be made on the date of receipt by the addressee.

37.3. If the Government believes that the Contractor has breached any of its obligations under this Agreement, it shall notify the Contractor to this effect in writing and the Contractor shall have sixty (60) days to remedy or submit the issue to arbitration in accordance with the provisions of article 32 of this Agreement.

37.4. Breach by the Contractor with regard to observing the provisions of this Agreement may result in termination of this Agreement by the Government, after notifying Contractor in accordance with the provisions of article 37.3, with the understanding that such termination shall not be declared if the Contractor has begun to remedy the breach after notifying the Government of the measures taken for this purpose or if the issue is submitted to arbitration in accordance with the provisions of article 32.

In the event of bankruptcy entailing liquidation of one of the entities comprising the Contractor, the rights of said entity pursuant to this Agreement shall immediately lapse and the other entities comprising the Contractor may assume the percentage of said entity's share in accordance with the joint venture agreement, and its obligations pursuant to this Agreement. In the event that the entity in liquidation is the Operator, the Government may terminate this Agreement if the new Operator appointed by the other entities which compose the Contractor does not fulfil the technical and financial capacities.
The termination of this Agreement shall not release the Contractor from its obligations created before or at the time of the termination.

37.5. The terms and conditions of this Agreement may only be amended if done in writing and by mutual agreement between the Parties.

37.6. Unless otherwise arranged or decided in writing, the Government will be represented by the Director General of Hydrocarbons in accordance with the terms of this Agreement. In this regard, the Director General of Hydrocarbons shall give, in the name and on behalf of the Government, all consents that may be necessary or appropriate for performance of the Agreement and will receive all notices on behalf of the Government under this Agreement. The Director General of Hydrocarbons shall also provide all reasonable assistance to the Contractor with respect to its activities in the Republic of Côte d'Ivoire.

37.7. The headings appearing in this Agreement were inserted for ease of reading and reference and in no way define, limit or describe the scope or purpose of the Agreement or any of its clauses.

37.8. Appendices 1, 2, 3, 4 and 5 attached hereto are an integral part of this Agreement.

37.9. Any waiver by the Government of the performance of an obligation of the Contractor shall be made in writing and signed by the representative of the Government, and no waiver may be considered as implicit if the Government waives asserting any of the rights conferred to it by this Agreement.

ARTICLE 38: EFFECTIVE DATE

After being signed by the Parties, this Agreement shall become effective. The date of signature is designated as the Effective Date, thereby making said Agreement binding upon the Parties.

IN WITNESS WHEREOF, the Parties signed this Agreement in 7 (seven) originals.

Done in Abidjan, this 21 December 2017 ("Effective Date")

FOR THE REPUBLIC OF COTE D'IVOIRE

The Secretary of State with the Prime Minister, responsible for State Budget and Portfolio	The Minister of Economy and Finance	The Minister of Petroleum, Energy and the Development of Renewable Energy
/s/ Moussa Sanogo	/s/ Adama Kone	/s/ Thierry Tanoh
Moussa SANOGO	Adama KONE	Thierry TANOH

FOR THE CONTRACTOR

PETROCI HOLDING	KOSMOS	BP
/s/ Ibrahima Diaby	/s/ Brian F. Maxted	/s/ Andrew Mcauslan
Dr. Ibrahima DIABY	Brian F. MAXTED	Andrew MCAUSLAN
Director General	Chief Exploration Officer	Head of Business Development

APPENDIX 1

Attached to and forming an integral part of this Agreement by and between the Republic of Côte d'Ivoire and the Contractor.

1.1 DELIMITED REGION

As of the Effective Date, the Delimited Region, referred to as Block CI-526, is composed of the area within the perimeter formed by the points 14I, 13E, 12AM, 12AN, 12AO, 12AP, 12AQ, 12AR, 13U and 14K indicated on the attached map.

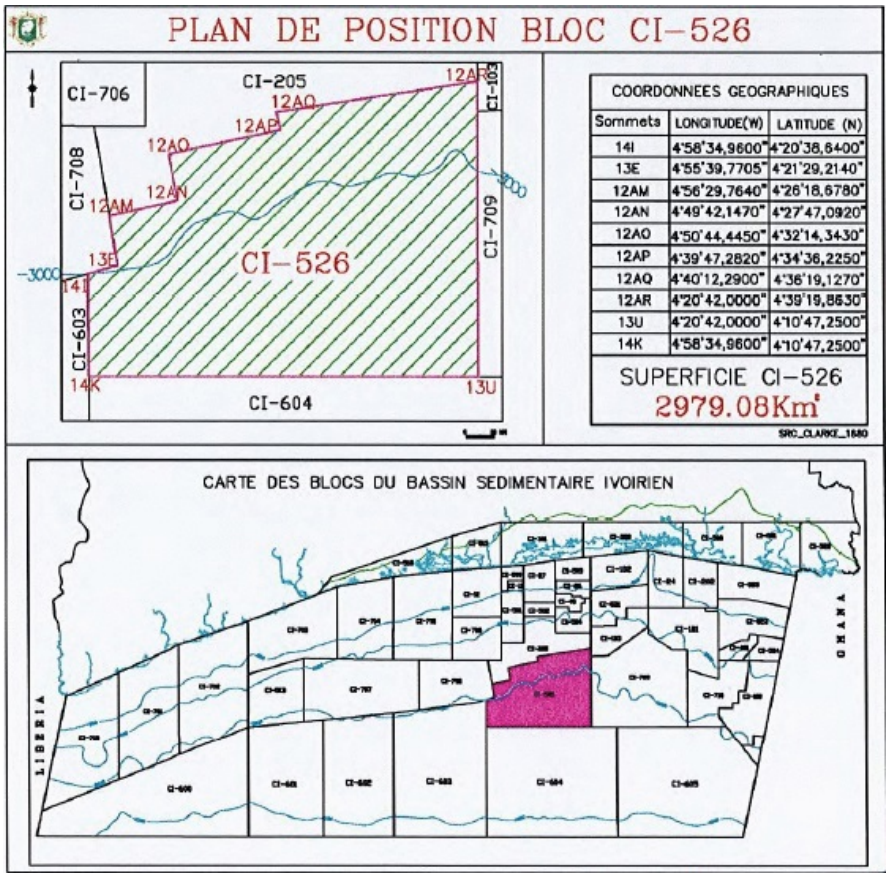
The geographical coordinates of these points are as follows, in relation to the Greenwich meridian:

Point	Longitude (W)	Latitude (N)
14I	4°58’34,9600”	4°20’38,6400”
13E	4°55’39,7705”	4°21’29,2140”
12AM	4°56’29,7640”	4°26’18,6780”
12AN	4°49’42,1470”	4°27’47,0920”
12AO	4°50’44,4450”	4°32’14,3430”
12AP	4°39’47,2820”	4°34’36,2250”
12AQ	4°40’12,2900”	4°36’19,1270”
12AR	4°20’42,0000”	4°39’19,8630”
13U	4°20’42,0000”	4°10’47,2500”
14K	4°58’34,9600”	4°10’47,2500”

The topographical reference system is CLARKE 1880 ellipsoid and the datum is Abidjan 1987.

The area of the Delimited Region defined above is considered to be equal to approximately two thousand nine hundred seventy-nine decimal zero-eight (2,979.08 km²) square kilometres.

1.2 MAP OF THE DELIMITED REGION



APPENDIX 2

Attached to and forming an integral part of this Agreement by and between the Republic of Côte d'Ivoire and the Contractor.

ACCOUNTING PROCEDURE

Article 1. GENERAL PROVISIONS

1.1. Purpose

This Accounting Procedure shall be followed and observed in performing the obligations under the Agreement to which this Appendix is attached.

1.2. Accounts and statements

The accounting records and books of the Contractor shall comply with legislation, and be kept according to the General Business Accounting Plan in effect in the Republic of Côte d'Ivoire. Nevertheless, the Contractor may apply the accounting rules and procedures in practice in the international petroleum industry to the extent that they are not contrary to the above-mentioned legislation and plans.

In accordance with the provisions of article 24 of the Agreement, the accounts, books and records shall be kept in French and denominated in Dollars. These accounts shall be used specifically in order to determine the amount of Petroleum Costs, the recovery of said costs, the production sharing, as well as for filing the income declarations of the Contractor. For information purposes, the accounts and balance sheets shall also be kept in CFA francs.

The Contractor shall record all activity related to the Petroleum Operations in separate accounts from those related to any other activities that may be performed in the Republic of Côte d'Ivoire.

All accounts, books, records and statements, as well as the supporting documents for expenses incurred, such as invoices and service contracts, shall be retained in the Republic of Côte d'Ivoire so that they may be produced if so requested by the appropriate Ivoirian authorities.

1.3. Interpretation

Unless otherwise provided in this Accounting Procedure, the definitions of the terms appearing in this Appendix 2 shall be the same as the corresponding terms appearing in the Agreement.

In the event of a conflict between the provisions of this Accounting Procedure and the Agreement, the Agreement shall prevail.

1.4. Modifications

The provisions of this Accounting Procedure may be amended by mutual agreement of the Parties.

1.5. Definitions

The terms used in this Accounting Procedure are defined as follows:

a) Development Expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations relative to a Production Perimeter excluding Production Expenses and Financial Expenses

b) Appraisal Expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations relative to an Appraisal Perimeter.

c) Production Expenses are all costs and expenses borne and paid by the Contractor for producing and maintaining the wells, equipment and related facilities relative to a Field from the start of production of said Field. The Production Expenses shall also include all costs and expenses borne and paid by the Contractor for producing and maintaining the pipelines, generators, warehouses, pools and other facilities that the Contractor acquires, builds or installs in accordance with the provisions of article 7.2. of the Agreement for performing the Petroleum Operations.

d) Exploration expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations (especially including the costs and expenses indicated in article 2.2.13 of this Accounting Procedure), excluding Appraisal Expenses, Development Expenses, Production Expenses, Financial Expenses, Overheads in the Republic of Côte d'Ivoire and Overheads Abroad.

e) Financial Expenses means the interest and fees indicated in article 2.2.10 of this Accounting Procedure.

f) Overheads in the Republic of Côte d'Ivoire means the costs and expenses indicated in article 2.2.2 of this Accounting Procedure.

g) Overheads Abroad means the costs and expenses indicated in article 2.2.3 of this Accounting Procedure.

Article 2. PETROLEUM COSTS

2.1. Petroleum Costs Account

The Contractor shall keep a "**Petroleum Costs Account**" to record in detail the expenses incurred and effectively paid by the Contractor in relation to the Petroleum Operations performed pursuant to this Agreement, which shall be recoverable in accordance with the provisions of articles 16 and 21 of the Agreement. Recovery of the Petroleum Costs will be on the basis of the expenses incurred and effectively paid.

In particular, this Petroleum Costs Account shall separately indicate, by Appraisal Perimeter or Production Perimeter, if applicable, the following expenses:

a) the Exploration Expenses;
b) the Appraisal Expenses;
c) the Development Expenses;
d) the Production Expenses;
e) the Financial Expenses;
f) the Overheads in the Republic of Côte d'Ivoire;
g) the Overheads abroad;

h) the abandonment reserve funds:
i) national needs, and
j) training, equipment and social works expenses.

The Petroleum Costs Account shall allow, among others, the following to be identified at any time:

a) the total amount of Petroleum Costs since the Effective Date;

b) the total amount of Petroleum Costs recovered;

c) the total amount credited to the Petroleum Costs Account pursuant to article 2.4.b) of this Accounting Procedure, and

d) the total amount of Petroleum Costs still to be recovered.

For the purposes of application of articles 16 and 21 of the Agreement, the Petroleum Costs shall be recovered according to the following order of priority:

a) production expenses of a Field incurred and effectively paid from the start date of regular production;

b) financial expenses, and

c) other Petroleum Costs.

Furthermore, in each of the categories indicated above, the costs shall be recovered in the order in which they are incurred and effectively paid.

Notwithstanding any provisions to the contrary in this Accounting Procedure, the intent of the Parties is to not duplicate any credit or debit in the accounts maintained pursuant to the Agreement.

2.2. Debits posted to the Petroleum Costs Account
The following expenses and charges shall be posted as debits in the Petroleum Costs Account:

2.2.1. Personnel Expenses
All payments made to cover the salaries and wages of the employees of the Contractor directly assigned in the Republic of Côte d'Ivoire, on a temporary or permanent basis, to the Petroleum Operations performed pursuant to this Agreement, including statutory and welfare costs and all additional charges or expenses set forth in individual or collective agreements or according to the internal administrative regulations of the Contractor.

2.2.2. Overheads in the Republic of Côte d'Ivoire
Fees and salaries of personnel of the Contractor working in the Republic of Côte d'Ivoire on the Petroleum Operations whose work time is not directly assigned to the programs, as well as the costs of maintaining and operating a general and administrative office and auxiliary offices in the Republic of Côte d'Ivoire necessary for the Petroleum Operations.

2.2.3. Overheads abroad

The Contractor shall add a reasonable amount for overhead paid abroad, related to performing the Petroleum Operations by the Contractor and its Affiliated Companies, such amounts representative of the estimated cost of services performed for said Petroleum Operations and corresponding to actual services performed abroad by the Contractor or its Affiliated Companies.

Overheads abroad includes part of the salaries and wages paid to staff residing abroad as well as a portion of general administrative costs for central services located abroad.

The amounts allocated shall be provisional amounts determined based upon the experience of the Contractor, and shall be adjusted annually according to the actual costs borne by the Contractor.

Nevertheless, the overheads paid abroad shall only be allocated within the following limits:

a) before granting an exclusive production permit: five percent (5%) of the expenses allocated to the Petroleum Costs Account excluding overhead for the Calendar Year in question;

b) as of the time of granting the first exclusive production permit: three percent (3%) of the expenses allocated to the Petroleum Costs Account excluding bonuses and overhead for the Calendar Year in question.

2.2.4. Buildings
Expenses for construction, maintenance and related costs, as well as rent paid for all offices, homes, warehouses and other types of buildings, including housing and recreation centres for employees, and the cost of equipment, furnishings, fittings and supplies necessary to use these buildings as required for the needs of the Petroleum Operations.

2.2.5. Materials, Equipment and rent
Costs of equipment, materials, machines, articles, supplies and facilities purchased or supplied for use in the Petroleum Operations, as well as rent or compensation paid or incurred for the use of all equipment and facilities necessary for the Petroleum Operations, including the facilities exclusively owned by the Contractor.

2.2.6. Transportation
Transportation of personnel, equipment, materials and supplies, within the Republic of Côte d'Ivoire and between the Republic of Côte d'Ivoire and other countries, necessary for the Petroleum Operations.

The personnel transportation costs include the expenses for transferring employees and their family, paid by the Contractor, in accordance with the policy established by the Contractor.

2.2.7. Services Rendered
Expenses for services rendered by subcontractors, consultants, expert advisors and public utilities, as well as all costs related to services rendered by the Government or any other authorities of the Republic of Côte d'Ivoire.

The expenses for services rendered by Affiliated Companies, provided that these costs do not exceed those that would normally be charged by independent companies for the same or similar service taking into account the quality and availability of those services.

2.2.8. Insurance and claims

Premiums paid for insurance that must normally be carried for the Petroleum Operations which must be performed by the Contractor pursuant to the Agreement, as well as all expenses incurred and paid to settle all losses, claims, compensation and other expenses, including those for legal services not recovered by the insurance carrier and those derived from court decisions.

If after approval by the Government no insurance is carried, all expenses paid by the Contractor to settle all losses, claims, compensation, legal judgments and other expenses.

2.2.9. Legal expenses

All expenses relative to conducting, examining and settling disputes or claims arising from the Petroleum Operations, or those necessary for defending or recovering assets acquired in performing the Petroleum Operations, especially including discovery or investigation fees, court fees and amounts paid to settle or resolve such disputes or claims.

If such measures must be conducted by Contractor's legal personnel, reasonable remuneration will be included in the Petroleum Costs, which shall not exceed the cost of the same or similar service normally performed by an independent company.

2.2.10 Financial expenses

All interest and fees the Contractor pays in respect of loans contracted from Third Parties and advances obtained from Affiliated Companies, to the extent that such loans and advances are allocated solely to the financing of a Field's Development Expenses, and do not exceed seventy-five percent (75%) of the total amount of these Development Expenses.

These loans and advances shall be submitted for administration approval under the conditions provided in article 72.3 of the Petroleum Code, except as otherwise provided in article 17.4.c) of this Agreement.

Where the financing has been provided by Affiliated Companies, the eligible interest rates must not exceed the rates normally used in the international financial markets for similar loans.

2.2.11. National needs

The discount of twenty-five percent (25%) conceded to PETROCI on sales of Crude Oil and Natural Gas to meet national needs in accordance with article 27.2 of the Contract.

2.2.12. Training expenses, social services and provision of equipment and materials

All expenses and costs incurred under article 30 of this Agreement.

2.2.13. Other expenses

All expenses borne and paid by the Contractor for the necessary and correct performance of the Petroleum Operations within the context of the Annual Work Programs and approved Budgets, with the exception of expenses covered and paid by the foregoing provisions in this article and the expenses excluded from the Petroleum Costs.

These other expenses include, in particular, foreign exchange losses actually incurred by the Contractor in performing the Petroleum Operations.

2.3. Expenses not attributable to the Petroleum Costs Account

The expenses that are not related to performing the Petroleum Operations, and the expenses excluded according the provisions of the Agreement or this Accounting Procedure and by the Petroleum Code and its implementing decree, are not attributable to the Petroleum Costs Account and thus are not recoverable.

These expenses notably include:

a) the expenses relative to the period prior to the Effective Date save for the provisions in article 16.7;

b) all expenses relative to the Operations performed beyond the Point of Delivery, such as transportation and marketing expenses;

c) the financial expenses relative to financing the Petroleum Exploration Operations, and those relative to the portion of financing the Development Expenses exceeding seventy-five percent (75%) of the total amount of the Development Expenses;

d) the bonuses defined in article 19 of this Agreement.

e) foreign exchange losses other than those indicated in article 2.2.13 of this Accounting Procedure.

Furthermore, the charges indicated in articles 17.4.d), and 17.4.g) of this Agreement, although deductible from net profits for purposes of the industrial and commercial income tax, cannot be chargeable to the Petroleum Costs Account due to how they are defined.

2.4. Credits posted to the Petroleum Costs Account

The following revenue and income shall specifically be credited to the Petroleum Costs Account:

a) revenue derived from selling the quantity of Hydrocarbons available to the Contractor, in accordance with articles 16 and 21 of this Agreement, for recovery of the Petroleum Costs;
b) all other revenue or income related to the Petroleum Operations, especially those derived from:

- the sale of related substances;
- all services rendered to Third Parties using the facilities allocated to the Petroleum Operations, especially the processing, transportation and storage of products for Third Parties in these facilities;
- the transfer of assets of the Contractor, and the transfer of some or all of the rights and obligations of the Contractor according to article 35 of this Agreement;
- foreign exchange gains actually realised by the Contractor in performing the Petroleum Operations.

Article 3. BASIS FOR CHARGING THE COST OF SERVICES, MATERIALS AND EQUIPMENT USED IN THE PETROLEUM OPERATIONS.

3.1. Rendering technical services

A reasonable fee shall be charged for technical services rendered by the Contractor or its Affiliated Companies for the Petroleum Operations performed pursuant to the Agreement, such as analyses of gas, water, core bores and all other tests and analyses, provided that such costs do not exceed those normally charged for similar services by independent technical service companies and laboratories, taking into account the quality and availability of those services.

3.2. Purchase of materials and equipment

The materials and equipment purchased from Third Parties that are necessary for the Petroleum Operations performed within the context of the Agreement shall be charged to the Petroleum Costs Account at the "Net Cost" borne by the Contractor.

The "Net Cost" shall include the cost of purchasing materials and equipment and items such as taxes, customs agent fees, transportation, loading and unloading expenses and licensing fees, relative to the supply of materials and equipment, as well as transit losses not recovered through insurance.

3.3. Use of equipment and facilities owned exclusively by the Contractor

The equipment and facilities owned by the Contractor and used for the Petroleum Operations shall be charged to the Petroleum Costs Account at a lease rate that shall be sufficient to cover the maintenance, repairs, depreciation and services provided to the Petroleum Operations, provided that such costs do not exceed those normally charged by Third Parties in the Republic of the Republic of Côte d'Ivoire for similar services and taking into account the quality and availability of those services.

3.4. Valuation of equipment

Any equipment transferred to the Republic of Côte d'Ivoire from the warehouses of the Contractor or any of the entities comprising the Contractor or their Affiliated Companies shall be valued as follows:

a) New equipment

New equipment (condition "A") is new equipment that has never been used: one hundred percent (100%) of the current market price, which corresponds to the price that would normally be invoiced under free market conditions between an independent buyer and seller for similar supplies.

b) Equipment in good condition

Used equipment in good condition (condition "B") is equipment in good condition that is still usable for its initial intended purpose, without repairs: seventy-five percent (75%) of the price of new equipment.

c) Other used equipment

Other used equipment (condition "C") is equipment that is still usable for its initial intended purpose, after repair and reconditioning, fifty percent (50%) of the price of new equipment.

d) Equipment in poor condition

Equipment in poor condition (condition "D") is equipment that is no longer usable for its initial intended purpose, but only for other services: twenty-five percent (25%) of the price of new equipment.

e) Scrap and waste

Scrap and waste (condition "E") is equipment that cannot be used or repaired: current price for scrap.

3.5. Materials and equipment transferred by the Contractor

The materials and equipment acquired by all of the entities comprising the Contractor shall be valued based upon the conditions defined in article 3.4 of this Accounting Procedure.

The materials and equipment acquired by any of the entities comprising the Contractor, or by Third Parties, shall be valued based upon sales price obtained, which shall not under any circumstances be less than the price determined according to the conditions defined in article 3.4 of this Accounting Procedure.

The corresponding amounts shall be credited to the Petroleum Costs Account.

Article 4. INVENTORIES

4.1. Frequency
The Contractor shall keep a permanent inventory of quantities and values of all assets used for the Petroleum Operations and, at reasonable intervals, shall carry out physical inventories as required by the Parties in accordance with the Best Industry Practice in the international petroleum industry.

4.2. Notification
A written notification of the intent to take inventory shall be sent by the Contractor at least ninety (90) days before the start of said inventory, so that the Government and the entities comprising the Contractor may be represented, at their expense, during inventory operations.

4.3. Information
In the event that the Government or an entity comprising the Contractor is not represented during an inventory, said Party or Parties shall be bound by the inventory prepared by the Contractor, which shall then provide said Party or Parties with a copy of said inventory in accordance with the Best Industry Practice in the international petroleum industry.

Article 5. FINANCIAL AND ACCOUNTING STATEMENTS
The Contractor shall provide the Government with all reports, records and statements indicated in the provisions of the Agreement and current legislation, and especially the following accounting and financial statements:

5.1. Statement of exploration work obligations
This annual statement shall be submitted within forty five (45) days after the end of each Contractual Year relative to exploration periods.

It shall provide a detailed statement of the work and exploration expenses carried out by the Contractor to perform the obligations set forth in article 4 of this Agreement, specifically excluding appraisal wells and the corresponding Appraisal Expenses as well as Development Expenses, Production Expenses, Overheads in the Republic of Côte d'Ivoire and bonuses.

5.2. Petroleum Costs recovery statement
A quarterly statement shall be submitted within forty five (45) days after the end of each Calendar Quarter. It shall indicate the following items of the Petroleum Costs Account:

a) the amount of Petroleum Costs still to be recovered at the beginning of the Calendar Quarter;

b) the amount of Petroleum Costs relative to the Calendar Quarter in question, recoverable according to the provisions of the Agreement;
c) the quantity and the value of the production of Hydrocarbons taken during the Calendar Quarter by the Contractor to recover Petroleum Costs;
d) the amount of income or proceeds credited pursuant to article 2.4.b) of this Accounting Procedure during the quarter;
e) the amount of Petroleum Costs still to be recovered at the end of the Calendar Quarter.

Furthermore, an annual Petroleum Costs recovery statement shall be submitted before the end of February of each Calendar Year.

5.3. Production Statement
After production begins, a monthly production statement shall be submitted within no more than fifteen (15) days after the end of each month.

For each month, it shall present details of the production of each Field, and especially the quantities of Hydrocarbons:

a) in stock at the beginning of the month;
b) lifted during the month;
c) lost and used for the needs of the Petroleum Operations;
d) in stock at the end of the month.

APPENDIX 3

Attached to and forming an integral part of this Agreement between the Republic of Côte d'Ivoire and the Contractor.

BANK GUARANTEE

This bank guarantee is issued on this (indicate issuance date) …… by the company …… (indicate name of BANK), a joint-stock company with share capital of ……., registered under number……, with registered office in …….., represented herein by Mr ……. ,……..(indicate capacity of signer), hereinafter referred to as the "**Bank**",

WHEREAS

(A) **The company,** a company incorporated under the laws of…, hereinafter referred to as "……," represented herein by **Mr……..,** entered into a

Hydrocarbons Production Sharing Agreement relative to block CI-…… (hereinafter referred to as the "**PSA**") with the Government on ……[date]…….

(B) In accordance with article 4.8 of the PSA, the Contractor agrees to provide the Government with a bank guarantee for performance of the minimum exploration work programs as defined in article 4 of the PSA.

(C) The Bank, at the request of the Contractor, agrees to provide this bank guarantee in favour of the Government, for the Guaranteed Amount as defined in article 3 below.

NOW, THEREFORE, the Bank issues this guarantee on the following items:

1. DEFINITIONS AND INTERPRETATION

Unless otherwise expressly defined in this guarantee, the terms contained herein shall be defined in the same manner as in the PSA.
For the purposes of this guarantee, a business day is understood to be any day from Monday through Friday excluding bank holidays in the Republic of Côte d'Ivoire.

2. EFFECTIVE DATE

This bank guarantee shall become effective and valid as of the date of issuance (the "**Effective Date**") and remains in effect until cancellation or termination in accordance with article 4 below.

3. PAYMENT OF THE GUARANTEED AMOUNT

The Bank shall pay the Government the Guaranteed Amount within eight (8) business days following receipt of the following documents:

3.1 Receipt by the Bank of a written request from the Government accompanied by the original written statement sent by an authorised representative of the Contractor to the Government, indicating that the Contractor does not intend to perform or pursue the minimum exploration program defined in accordance with the terms and conditions of the PSA or

3.2 Receipt by the Bank of a written request from the Government accompanied by a copy of the formal notice sent by the Government to the Contractor to remedy its default with regard to the minimum exploration work program as specified in article 4 of the PSA, which has remained without effect for thirty (30) days following receipt of said notice.

"Guaranteed Amount" means (i) an amount equal to US$ ……, or (ii) an amount equal to the balance of this amount as it is reduced in accordance with article 4 of the PSA.

4. CANCELLATION AND/OR TERMINATION OF THE BANK GUARANTEE

4.1. The obligations of the Bank vis-à-vis the Government by virtue of this bank guarantee shall end when one of the following situations occurs:

4.1.1. Receipt by the Bank of a notification from the Government indicating that the Contractor performed the minimum exploration work indicated in the PSA, or

4.1.2. Receipt by the Bank of a written notification from the Government indicating that the Contractor made a payment corresponding to the indemnity indicated in article 4.10 of the PSA.

4.2. This bank guarantee is constituted for the duration of the exploration period, and its initial amount shall be adjusted and shall terminate in accordance with the provisions of article 4.8 of this Agreement.

5. LIABILITY

The liability of the Bank regarding this bank guarantee vis-à-vis the Government is strictly limited to the Guaranteed Amount.

6. NOTIFICATION

All notifications, requests, applications and other communications regarding this bank guarantee shall be made in writing or by fax and sent to the party in question at the address indicated below:

The Bank: [bank coordinates to be completed]
The Government: The Minister of Mines, Petroleum and Energy Fax no.: ... ...
The Contractor: ... ... Fax no.: ... ...

7. APPLICABLE LAW

This guarantee shall be governed and interpreted according to the law of the Republic of Côte d'Ivoire.

8. ARBITRATION

All disputes arising out of the interpretation or application of this guarantee shall be definitively resolved by arbitration in accordance with the provisions of article 32 of this Agreement.

In witness whereof, the Bank issues this guarantee.

Done in Abidjan, on _____

Signature: _____

Name: _____

Capacity: _____

APPENDIX 4

Attached to and forming an integral part of this Agreement between the Republic of Côte d'Ivoire and the Contractor.

PERFORMANCE BOND

Whereas ……., a Company incorporated under the laws of [Country], with registered office in…….., hereinafter referred to as the "**Guarantor**," is the sole shareholder of …….**,** a Company incorporated under the laws of……., with registered office in ……..,, hereinafter referred to as " **the Contractor"**

Whereas the Contractor entered into a Production Sharing Agreement (hereinafter referred to as the "**Agreement**") dated …….. with the Republic of Côte d'Ivoire (hereinafter referred to as the "**Government**"), corresponding to the Delimited Region defined in Appendix 1 to said Agreement;

Whereas the Contractor is bound to its portion of the obligations pursuant to the Agreement vis-à-vis the Government;

THE GUARANTOR AGREES AS FOLLOWS:

The Guarantor hereby acknowledges that it is fully informed of the legal and contractual obligations assumed by the Contractor within the context of this Agreement and guarantees that it shall make available to the Contractor all technical and financial resources, personnel and equipment necessary for the Contractor to fully perform its obligations pursuant to this Agreement , provided that the liability of the Guarantor shall not exceed the lesser of:

a. the Contractor's share of the obligations under the Agreement;
b. One-hundred million US Dollars (US$100,000,000) during the exploration period; and
c. Two-hundred million US Dollars (US$200,000,000) during the exploitation period..

This performance bond shall become effective on the date of its signature and shall remain in force until full discharge of the Contractor's obligations resulting from the Agreement.

Unless agreed otherwise in writing between the Government and the Contractor, this performance bond will not be affected by changes which may be made to the provisions of this Agreement.

No delay by the Government in asserting its rights derived from the Agreement may be interpreted as a waiver of such rights.

Any dispute arising between the Government and the Guarantor resulting from the application or interpretation of this performance bond shall be resolved by arbitration in accordance with the provisions of article 32 of the Agreement.

Executed on this ……..By: **……**

Title: **……..**

REPUBLIC OF COTE D'IVOIRE

Unity – Discipline - Labour

HYDROCARBONS
PRODUCTION SHARING AGREEMENT

BLOCK CI-602

21 December 2017

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AGREEMENT

BY AND BETWEEN

The Republic of Côte d'Ivoire, hereinafter referred to as the "Government," represented herein by the Minister of Petroleum, Energy and Development of Renewable Energies, **Mr. Thierry TANOH,** the Secretary of State to the Prime Minister in charge of the State Budget and Portfolio, **Mr. Moussa SANOGO**, and the Minister of Economy and Finance, **Mr. Adama KONE** , duly authorised to sign hereunder;

as the first party,

AND

BP Exploration Operating Company Limited], a company incorporated under the laws of England, headquartered at Chertsey Road, **Sunbury-on-Thames, Middlesex, TW16 7LN**, United Kingdom hereinafter referred to as "BP" and represented herein by **Mr. Andrew MCAUSLAN, Head of Business Development;**

KOSMOS ENERGY COTE D'IVOIRE, a company incorporated under the laws of Cayman Islands, headquartered on the 4th floor, Century Yard, Cricket Square, PO Box 32322 George Town, Grand Cayman, KY1, 1209, hereinafter referred to as " **KOSMOS**" and represented herein by **Mr. Brian F. Maxted, Chief Exploration Officer;**

PETROCI HOLDING, the Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire, hereinafter referred to as "**PETROCI**," an Ivoirian company headquartered at Immeuble Les Hévéas, 14, Boulevard CARDE, BP. V194 Abidjan Plateau and represented herein by its President, **Mr. Ibrahima DIABY**;

as the second party,

RECITALS

- In accordance with the provisions of article 2 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, all Fields or natural accumulations of Hydrocarbons in the soil or the subsoil of the Republic of Côte d'Ivoire territory, its territorial waters, its exclusive economic zone and continental shelf, whether or not discovered, are and remain the exclusive property of the State;

- The discovery and production of Hydrocarbons are important for the interests and economic development of the country and its inhabitants;

- In accordance with the provisions of article 5 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, the State may authorise Ivoirian or foreign legal entities to engage in the exploration, production, transport, storage, transformation and sale of

Hydrocarbons, pursuant to a petroleum contract entered into by and between these entities and the State;

- In accordance with the provisions of article 6 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, the State designated PETROCI to participate in the Petroleum Operations under this Agreement;

- The Government hopes to develop and promote the Delimited Region, and the Contractor wishes to cooperate with the Government by helping it explore and develop the potential resources of the Delimited Region and thereby encourage the economic expansion of the country;

- In accordance with Article 1 of Decree No. 2014-248 dated 8 May 2014 which delegated the powers to sign petroleum contracts, the Minister in charge of Petroleum, the Minister of Economy and Finance and the Minister in charge of the Budget have delegated powers to jointly sign the petroleum contracts on the Government's behalf;

- The Contractor states that it has the capital, technical capacity and organizational skills necessary to successfully perform the Petroleum Operations specified below in the Delimited Region;

- The Council of Ministers, in its session held on 20 December 2017, granted its approval for the signing of this Agreement;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1: DEFINITIONS

The terms used herein are defined as follows:

1.1. CALENDAR YEAR means a period of twelve (12) consecutive months beginning on the first (1st) of January and ending on the thirty-first (31st) of December thereafter, according to the Gregorian calendar.

1.2. CONTRACTUAL YEAR means a period of twelve (12) consecutive months beginning on the Effective Date, or the anniversary of said Effective Date.

1.3. FISCAL YEAR means a period of twelve (12) consecutive months beginning on the first (1st) of January and ending on the thirty-first (31) of December thereafter.

1.4. BARREL means "U.S. barrel," i.e., 42 U.S. gallons measured at a temperature of 60° F and at the atmospheric pressure of 14.696 p.s.i.a.

1.5. BUDGET means the quantified estimate, on an item-by-item basis, of the Petroleum Operations appearing in an Annual Work Program.

1.6. CCI has the meaning attributed to it in article 18.5.

1.7. GENERAL TAX CODE means the collection of the legislative and regulatory provisions of the Ivorian tax law which was codified by Law No. 63-524 of 26 December 1963, amended by article 45 of Law No. 2003-206 of 7 July 2003 setting the Finance Law for 2003, and which incorporates each year, after adoption of the Finance Law, the legislative and regulatory provisions affecting Ivorian tax law.

1.8. PETROLEUM CODE means Law No. 96-669 of 29 August 1996, which came into force on 29 August 1996, as amended and in force on the Effective Date.

1.9. COORDINATION COMMITTEE has the meaning attributed to it in article 37.1.

1.10. CONTRACTOR means, collectively or individually, **BP, KOSMOS** and **PETROCI**, as well as any entity to which they may assign an interest pursuant to articles 35.1 and 35.2.

On the Effective Date of this Agreement, the rights and obligations arising from this Agreement between the entities that make up the Contractor shall be based on the following participations:

BP: 45%
KOSMOS: 45%
PETROCI: 10%

1.11. AGREEMENT means this Agreement and the appendices hereto, which are an integral part hereof, as well as any extension, renewal, substitution or modification of this Agreement, decided by mutual agreement between the Parties.

1.12. PETROLEUM COSTS mean all expenses actually borne and paid by the Contractor to perform the Petroleum Operations set forth in this Agreement, determined according to the Accounting Procedure indicated in Appendix 2.

1.13. CPI has the meaning attributed to it in article 16.3.

1.14. EFFECTIVE DATE means the date on which the Agreement becomes effective, as defined in article 38.

1.15. DOLLAR means Dollar of the United States of America.

1.16. FORCE MAJEURE has the meaning attributed to it in article 33.2.

1.17. NATURAL GAS means methane, ethane, propane, butane and gaseous hydrocarbons, either wet or dry, whether or not associated with Crude Oil, as well as all other gaseous products extracted in association with the hydrocarbons, specifically nitrogen, hydrogen sulphide, carbon dioxide, helium and steam.

1.18. ASSOCIATED NATURAL GAS means the Natural Gas existing in a reservoir in solution with the Crude Oil, or in the form of a "gas cap" in contact with the Crude Oil, and which is produced or may be produced in association with the Crude Oil.

1.19. NON-ASSOCIATED NATURAL GAS means natural gas excluding Associated Natural Gas.

1.20. FIELD means an accumulation of Hydrocarbons, in one or more superimposed horizons that has been properly evaluated in accordance with the provisions of article 11.

1.21. HYDROCARBONS mean Crude Oil and Natural Gas.

1.22. TAXES AND/OR CHARGES means all compulsory, definitive and unrequited pecuniary payments required by the State or its branches from any individual or corporate person as a result of the exercise in the Republic of Côte d'Ivoire of an activity, the possession of property, capital, the performance of an act or use of a service, and includes any penalties that may be attached to such payments.
Duties and taxes include, but are not limited to, income taxes, taxes on industrial and commercial profits (Bénéfices Industriels et Commerciaux, or BIC), taxes on non-commercial profits (Bénéfices Non Commerciaux, or BNC), taxes on agricultural profits (Bénéfices Agricoles, or BA), General Income Tax (Impôt Général sur le Revenu, or IGR), Value Added Tax (Taxe sur la Valeur Ajoutée, or VAT), the tax on banking transactions, excise duties, property tax (tax on property and on income derived from property), the business license tax (Contribution des patentes), taxes on wages and salaries, and the various related levies made at source related thereto, registration and stamp duties, royalties, customs duties or taxes, and any other similar compulsory levies.

1.23. OPERATOR has the meaning attributed to it in article 2.8.

1.24. PETROLEUM OPERATIONS means all exploration, appraisal, development, production, abandonment, transport, processing (with the exception of refining) and marketing

of Hydrocarbons and, in general, any other operations directly related thereto, that are performed within the context of this Agreement.

1.25. ADDITIONAL PARTICIPATION has the meaning attributed to it in article 22.2.a).

1.26. INITIAL PARTICIPATION has the meaning attributed to it in article 22.1.

1.27. PARTIES means the Government and the Contractor; and **PARTY** means the Government, the Contractor, or any of the entities that make up the Contractor**.**

1.28. **APPRAISAL PERIMETER** means any portion of the Delimited Region where one of the Hydrocarbons discoveries has been made the size of which shall be evaluated, for which the Government has granted the Contractor an exclusive appraisal permit in accordance with the provisions of article 11.3.

1.29. **PRODUCTION PERIMETER** means any portion of the Delimited Region for which the Government has granted the Contractor an exclusive production permit in accordance with the provisions of article 12.

1.30. **CRUDE OIL** means crude mineral oil, asphalt, ozokerite and all sorts of Hydrocarbons and bitumens, either solid or liquid, in their natural state or obtained from Natural Gas by condensation or extraction, including condensate and liquid Natural Gas.

1.31. **CUBIC FOOT** means the quantity of Natural Gas contained in a volume of one (1) cubic foot measured at a temperature of 60° F and at an atmospheric pressure of 14.696 p.s.i.a.

1.32. **ABANDONMENT PLAN** has the meaning attributed to it in article 20.7.

1.33 POINT OF DELIVERY OF NATURAL GAS means a point of transfer agreed upon by the Parties at the time the development and production plan is submitted.

1.34 POINT OF DELIVERY OF CRUDE OIL means the F.O.B. point of connection between the loading facilities and the vessel loading the Crude Oil produced pursuant to this Agreement in the Republic of Côte d'Ivoire, or any other transfer point established by mutual agreement of the Parties.

1.35 MARKET PRICE has the meaning attributed to it in article 18.1.

1.36 REMAINING PRODUCTION has the meaning attributed to it in articles 16.3 and 21.3 applicable to Crude Oil and Natural Gas respectively.

1.37. **TOTAL PRODUCTION** means the Total Production of Natural Gas and the Total Production of Crude Oil.

1.38 TOTAL PRODUCTION OF NATURAL GAS means the total Natural Gas production from the Delimited Region as a whole less the quantities used for the needs of Petroleum Operations, unavoidable losses and, subject to the provisions of article 21.2.3, the quantities of Natural Gas that were burned.

1.39 TOTAL PRODUCTION OF CRUDE OIL means the total Crude Oil production obtained from the Delimited Region as a whole less the quantities used for the needs of Petroleum Operations and unavoidable losses.

1.40 DAILY TOTAL PRODUCTION OF NATURAL GAS has the meaning attributed to it in article 21.3.

1.41 DAILY TOTAL PRODUCTION OF CRUDE OIL has the meaning attributed to it in article 16.3.

1.42 ANNUAL WORK PROGRAM means the descriptive itemized document of the Petroleum Operations to be performed during a Calendar Year in the Delimited Region, and if applicable in each Production Perimeter, established in accordance with the provisions of articles 4 and 5.

1.43 BEST INDUSTRY PRACTICE means the good and prudent practices of the petroleum industry including in matters of, but is not limited to, preservation of the environment, of engineering, of well conservation and exploitation principles; of hygiene, of health, and of general safety used in the international petroleum industry under similar circumstances.

1.44. DELIMITED REGION means the area indicated in article 2.7 to which the Government, within the context of this Agreement, grants the Contractor exclusive exploration rights.

The areas relinquished by the Contractor in accordance with the provisions of articles 3.5 and 3.6 shall be considered as no longer a part of the Delimited Region which shall then be reduced accordingly. On the other hand, the Production Perimeter(s) and the Appraisal Perimeter(s) shall be an integral part of the Delimited Region during the term of validity of the corresponding exclusive production permit and the exclusive appraisal permit(s).

1.45. **AFFILIATED COMPANY** means:

- a company or any other entity that controls or is controlled, directly or indirectly, by any entity comprising the Contractor;
- or a company or any other entity that controls or is controlled, directly or indirectly, by a company or entity that itself directly or indirectly controls any entity comprising the Contractor.

Such "**control**" means direct or indirect ownership by a company or any other entity of more than fifty percent (50%) of the voting shares of capital stock of another company.

1.46. THIRD PARTY means any individual or legal entity, other than the Contractor, the State and the Government that is not within the context of the preceding definition at article 1.45.

1.47. CALENDAR QUARTER means a period of three (3) consecutive months beginning on the first day of January, April, July or October during a Calendar Year.

<u>ARTICLE 2:</u> SCOPE OF APPLICATION OF THE AGREEMENT

2.1. This Agreement is a Production Sharing Agreement governed by the provisions hereunder.

2.2. The Government authorises the Contractor, under the conditions set forth herein, to exclusively perform all of the Petroleum Operations that are appropriate and necessary within the context of this Agreement.

2.3. The Contractor undertakes to carry out all of the work necessary for performing the Petroleum Operations set forth in this Agreement, in accordance with Best Industry Practice, and to be subject to the laws and regulations in effect in the Republic of Côte d'Ivoire unless otherwise provided by the Agreement.
2.4. The Contractor shall provide all financial and technical means necessary for the proper development of the Petroleum Operations in accordance with the Best Industry Practice.

2.5. The Contractor shall solely assume the financial risk related to performing the Petroleum Operations. The related Petroleum Costs shall be recoverable by the Contractor in accordance with the provisions of article 16 and 21.

2.6. In the event of production, the Total Production resulting from the Petroleum Operations, during the period of validity of this Agreement, shall be shared between the Parties under the conditions defined in articles 16 and 21.

2.7. As of the Effective Date, the Delimited Region corresponds to the zone defined in Appendix 1.

2.8. As of the Effective Date the Government approves the appointment of:
- KOSMOS as operator ("**Operator**") in charge of directing and performing the Petroleum Operations in the name and on behalf of the Contractor from the Effective Date;
- BP as Operator in charge of directing and performing the Petroleum Operations in the name and on behalf of the Contractor from the first discovery of Hydrocarbons as notified in Article 11.1.

Any change in Operator shall be submitted to the Government in advance for approval.

The Operator, in the name and on behalf of the Contractor, shall send the Government all reports, information and data stipulated under this Agreement, and especially including the association agreement and all agreements relevant to the Petroleum Operations, as applicable, binding the entities comprising the Contractor.

ARTICLE 3: DURATION OF EXPLORATION PERIODS AND RELINQUISHED AREAS

3.1. The exclusive exploration permit is hereby granted to the Contractor for an initial exploration period of three (3) Contractual Years, for the entire Delimited Region, extended, if applicable, in accordance with the provisions of article 3.4.

3.2. If the Contractor, upon expiry of the initial exploration period indicated above, conditional on having met the exploration work commitments as defined in article 4.2, so requests, a second exploration period shall be authorised for three (3) Contractual Years from the expiration date of the first exploration period, extended, if applicable, in accordance with the provisions of article 3.4.

3.3. If the Contractor so requests, upon expiration of this second exploration period, conditional on having met the exploration work commitments as defined in article 4.3, so requests, a third exploration period shall be authorised for three (3) Contractual Years from the expiration date of the extended second exploration period, extended, if applicable, in accordance with the provisions of article 3.4.

3.4. The requests indicated in articles 3.2 and 3.3 shall be made at least sixty (60) days before expiration of the current exploration period.
If the expiration date of an exploration period occurs while the drilling of an exploration well or the production tests in an exploration well are being performed, or temporary or definitive work to abandon an exploration well is in progress, said exploration period shall be extended for the time necessary for the completion and well testing or abandonment work, provided that said extension does not exceed ninety (90) days. The Contractor shall notify the Government of said extension within seven (7) days prior to the normal expiration date of the current exploration period.

3.5. The Contractor shall have to relinquish at least the following areas:

a) twenty-five percent (25%) of the initial area of the Delimited Region upon expiration of the first exploration period; and
b) twenty-five percent (25%) of the initial area of the Delimited Region upon expiration of the second exploration period.

The area shall be relinquished in a simple geometric shape, i.e. an area of no more than 15 lines, bounded by the North/South, East/West lines or by the initial limits of the Delimited Region.
The area corresponding to any Production Perimeter or Appraisal Perimeter shall be deducted from the initial area of the Delimited Region before calculating the relinquished areas.
The areas previously abandoned, in accordance with the provisions of article 3.6, shall be deducted from the areas to be relinquished.

Subject to compliance by the Contractor with the foregoing requirements, the Contractor may freely select the zone within the Delimited Region to be relinquished.

The Contractor agrees to provide the Government with an accurate description and a map showing details of the areas relinquished and the areas retained as well as a report specifying the Petroleum Operations performed since the Effective Date on the relinquished areas and the results obtained.
The geometric shape and continuity of the relinquished areas are subject to approval by the Government.
The obligations indicated in article 8 of this Agreement shall be performed in their entirety for the relinquished areas.

3.6. During an exploration period, the Contractor, subject to sixty (60) days advance notice, may at any time notify the Government that it waives, in all or part of the Delimited Region, the rights conferred to it by this Agreement.

In the event of a partial waiver, the provisions of article 3.5 regarding relinquished areas shall be applicable.

No waiver during or after an exploration period shall reduce the work commitments and investment obligations indicated in article 4 for the ongoing exploration period.

In the event of a waiver, the Contractor shall have the exclusive right to retain, for the respective term of validity, the areas of the Appraisal Perimeters and Production Perimeters that were granted.

With respect to applications for Appraisal or Production Perimeters that were filed before the effective date of waiver, the Contractor shall also have the exclusive right to retain the corresponding areas if these subsequently give rise to the granting of an Appraisal Perimeter or of a Production Perimeter under the terms of this Agreement, and to carry out the Petroleum Operations.

3.7. At the end of the third exploration period defined in article 3.3., the Contractor shall abandon all of the remaining area of the Delimited Region, with the exception of the Appraisal Perimeters and the Production Perimeters granted as of said date or previously, or for which an authorisation request was filed if the same subsequently resulted in the granting of an Appraisal Perimeter or a Production Perimeter according to the conditions of this Agreement.

3.8. If, upon expiration of all of the exploration periods, the Contractor has not obtained an exclusive appraisal permit or an exclusive production permit, this Agreement shall end. Regardless of the above, if, before this date, an application for an exclusive appraisal permit or exclusive production permit has been filed, the Agreement will remain in force in the perimeter to which the exclusive appraisal permit or exclusive production permit relates until the Government decides on the Contractor's request.

If the Government rejects the application for an exclusive appraisal or exclusive production permit, this Agreement will terminate. If an exclusive appraisal permit or an exclusive production permit is granted, this Agreement will remain in force for the granted Appraisal Perimeters or Production Perimeters.

3.9. The expiration of this Agreement, or its termination for any reason whatsoever, shall not end the obligations of the Contractor in relation to the Agreement that were created before or at the time of said expiration or termination.

ARTICLE 4: EXPLORATION WORK COMMITMENTS

4.1. The Contractor shall begin the geological and geophysical work provided for in article 4.2 below, within three (3) months from the Effective Date.

4.2. During the first exploration period defined in article 3.1, the Contractor shall perform at least the following work in the Delimited Region:

- Acquisition, processing and interpretation of new 3D seismic covering a minimum of two thousand km² (2,000 km²).

4.3. During the second exploration period defined in article 3.2, the Contractor shall perform at least the following work in the Delimited Region:

- Geological, geophysical (G&G) and engineering studies;
- One (1) exploration well, firm.

4.4. During the third exploration period defined in article 3.3., the Contractor shall perform at least the following work in the Delimited Region:

- Geological, geophysical (G&G) and engineering studies;
- One (1) exploration well, firm.

4.5. Each of the exploration wells provided for in articles 4.3 and 4.4 shall reach the lesser of either:
- at least one hundred (100) meters into the Albian; or
- at least two-thousand five hundred metres (2,500), minimum depth, below the mud-line

In all cases, the exploration well can be stopped at a lesser depth if:

a) the base is at a depth that is less than the minimum contractual depth;

b) drilling the well presents an obvious danger;

c) rocky formations are found, the hardness of which does not allow, in practice, the well to be drilled, or

d) petroleum formations are found that, in order to be crossed, require casings to be installed for their protection, that do not allow for the minimum contractual depth to be reached.

If any of the reasons listed above exists, the exploration well shall be considered to have been drilled to the minimum contractual depth.

Notwithstanding any provision to the contrary in this Agreement, for the purposes of this article 4, exploratory drilling shall be any drilling executed in the Delimited Region outside any Appraisal Perimeter or any Production Perimeter existing on the date on which the drilling operations begin.

The wellbores drilled within the context of an exclusive appraisal permit shall not be considered as exploration wells and shall be governed by the provisions of article 11.

4.6. In order to perform the exploration work defined in articles 4.2 to 4.4 under the Best Industry Practice, the Contractor agrees to invest at least the following amounts:

a) Four million Dollars (US $4,000,000) during the first exploration period defined in article 3.1;
b) Eighteen million Dollars (US $ 18,000,000) during the second exploration period defined in article 3.2;
c) Eighteen million Dollars (US $ 18,000,000) during the third exploration period defined in article 3.3.

Notwithstanding the foregoing, if the Contractor, in an exploration period, has performed its work commitments for an amount less than that indicated above, it shall be considered as having performed its investment obligations for said period. On the other hand, the Contractor shall perform all of the work commitments specified for a given exploration period even if it requires an investment greater than that specified above for said period.

4.7. In the event that the Contractor, during a given exploration period, drills one or more additional exploration wells, this or these additional exploration wells may be carried forward to the period immediately thereafter if an application is filed by the Contractor at the time of renewal of said exploration period as specified in articles 3.2 and 3.3 above. This request, which will not be refused without reasonable grounds, must be accompanied by the work program that it agrees to perform during the exploration period subject to the carried forward, and shall indicate the estimated and related costs.

4.8. Each entity constituting the Contractor, except PETROCI, shall provide the Government with irrevocable bank guarantees that are acceptable to the Government, corresponding to the investments stipulated in article 4.6 proportionally to their participation and to their obligation to contribute to the Initial Participation of PETROCI, covering the performance of the minimum exploration work programs indicated in articles 4.2, 4.3 and 4.4, as follows:

a) Within no more than thirty (30) days after the Effective Date, the Contractor shall provide a bank guarantee in the amount of four million Dollars (US$ 4,000,000) to guarantee performance of the minimum exploration work program for the first exploration period in accordance with article 4.2.

The amount of the bank guarantee shall be reduced by:

- fifty percent (50%) of the original amount, i.e., two million Dollars (US $2,000,000) following delivery by the Operator to the Government of a copy of the contract for seismic data acquisition;
- twenty-five percent (25%) of the original amount, i.e. one million Dollars (US $1,000,000) following the start of said acquisition work;
- twenty-five percent (25%)of the original amount, i.e. one million Dollars (US $1,000,000) following completion of said acquisition work and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the first exploration period.

b) As of the start date of the second exploration period, the Contractor shall provide a bank guarantee for an amount of eighteen million Dollars (US $ 18,000,000) to guarantee performance of the minimum exploration work program indicated in article 4.3. The amount of the bank guarantee, adjusted to reflect the exploration wells drilled in advance during the previous exploration period and carried forward to the next exploration period in accordance with article 4.7, will be reduced by:

- fifty percent (50%) of the original amount, i.e., nine million Dollars (US $9,000,000) following delivery by the Operator to the Government of a copy of the contract for drilling;
- twenty-five percent (25%) of the original amount; i.e., four million and five hundred thousand Dollars (US $4,500,000) following the start of said drilling works;
- twenty-five percent (25%)of the original amount; i.e. four million and five hundred thousand Dollars (US $4,500,000) following completion of the drilling works and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the

second period and, approved by the Government in accordance with this Agreement.

c) As of the start date of the third exploration period, the Contractor shall provide a bank guarantee for an amount of eighteen million Dollars (US$18,000,000) to guarantee performance of the minimum exploration work program indicated in article 4.4. The amount of the bank guarantee, adjusted to reflect the exploration wells drilled in advance during the previous exploration period and carried forward to the next exploration period in accordance with article 4.7, will be reduced by:

- fifty percent (50%) of the original amount, i.e., nine million Dollars (US $9,000,000) following delivery by the Operator to the Government of a copy of the contract for drilling;
- twenty-five percent (25%) of the original amount, i.e., four million and five hundred thousand Dollars (US $4,500,000) following the start of said drilling works;
- twenty-five percent (25%) of the original amount, i.e. four million and five hundred thousand Dollars (US $4,500,000) following completion of the drilling works and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the third period and, approved by the Government in accordance with this Agreement.

The above bank guarantees shall be issued in terms that are comparable to the bank guarantee in Appendix 3 in accordance with the issuing bank and the Government's acceptance decision shall be made no later than ten (10) days from the date the bank guarantee was submitted by the Contractor. After this period has passed, the bank guarantee will be deemed to have been accepted.

4.9. The Operator shall notify the Government of the completion of the exploration work in the minimum exploration work program for a given exploration period. If the bank guarantee shall be released in accordance with article 4.8, within fifteen (15) days following notification by the Operator, the Government shall notify the bank of the release of the bank guarantee in the necessary amount or shall notify the Operator of its challenge relative to completion of the minimum exploration work program. The bank guarantee shall be released in accordance with the terms of article 4.8, unless a payment is due pursuant to article 4.10, in which case the bank guarantee shall be released once this payment is made.

4.10. If, for any reason except for a case of Force Majeure, the Contractor does not complete the minimum work program for a given exploration period under articles 4.2, 4.3 and 4.4, the Contractor shall pay an indemnity equal to the amount of the bank guarantee as reduced in accordance with Article 4.8 and this amount will be paid by the bank which issued the bank guarantee, under the terms and within the time periods stated in the bank guarantee given for each exploration period. Once payment has been made, this Agreement will terminate and the Contractor will be released from any work commitments.

ARTICLE 5: PREPARATION AND APPROVAL OF THE ANNUAL WORK PROGRAMS AND BUDGETS

5.1. At least two (2) months before the start of each Calendar Year, or for the first year no later than two (2) months after the Effective Date, the Contractor shall prepare and submit to the Government, for approval, an Annual Work Program as well as the corresponding Budget, for the entire Delimited Region, specifying the Petroleum Operations and the cost thereof that the Contractor proposes to perform during the Calendar Year in question, or the portion of the Calendar Year in question if an exploration period ends prior to the end of said Calendar Year. In the event of renewal of the exclusive exploration permit, the Contractor shall submit, within thirty (30) days following expiration of the previous exploration period, an Annual Work Program as well as the corresponding Budget for the first Calendar Year or the portion of the first Calendar Year of the next exploration period.

5.2. If the Government wants to propose revisions or modifications to the Petroleum Operations indicated in said Annual Work Program, within thirty (30) days following receipt of said program, it shall notify the Contractor of its intent to revise or modify it, presenting all justifications deemed appropriate. In this case, the Government and the Contractor shall meet to study and agree within fifteen (15) days thereafter the revisions or modifications requested and establish, by mutual agreement, the Annual Work Program and the corresponding Budget in the definitive form, according to the Best Industry Practice in the international petroleum industry. Nevertheless, during the exploration period, the Annual Exploration Work Program and the corresponding Budget prepared by the Contractor after the meeting indicated above shall be considered to be approved insofar as they satisfy the obligations established in article 4.

Each portion of the Annual Work Program and the Budget for which the Government has not requested a revision or modification within thirty (30) days as indicated above shall be performed by the Contractor within the specified time period, subject to article 5.3.

If the Government fails to notify the Contractor of its intended revision or modification within thirty (30) days as indicated above, the Annual Work Program and the corresponding Budget submitted by the Contractor shall be considered to be approved by the Government.

5.3. The Government and the Contractor acknowledge that the knowledge obtained as the work is performed or special circumstances may justify certain changes to certain details of the Annual Work Program. In this case, after notifying the Government, the Contractor may make these changes, provided that the fundamental objectives of said Annual Work Program are not modified.

ARTICLE 6: OBLIGATIONS OF THE CONTRACTOR REGARDING THE EXPLORATION PERIODS

6.1. The Contractor is responsible for the Petroleum Operations and consequently shall provide the following for performing these operations:

- all necessary funds,
- all required machinery, equipment and materials,
- all technical support, including the necessary personnel, subject to the provisions of article 30.

6.2. The Contractor is responsible for the preparation and performance of the Annual Work Programs, which it shall perform according to the Best Industry Practice in the international petroleum industry.

6.3. The Contractor shall take all reasonable and practical measures to:

a) ensure the protection of aquifers encountered during the course of its work;

b) perform the tests necessary to determine the value of significant shows encountered during drilling and the commercial nature of discoveries of any Hydrocarbons;

c) prevent losses and discarding of Hydrocarbons produced and losses and discarding of oil-based mud or any other product used in the Petroleum Operations according to Best Industry Practice in the international petroleum industry.

6.4. All of the work and facilities established by the Contractor by virtue of this Agreement, according to their nature and circumstances, shall be constructed, installed, placed, indicated, beaconed, signalled, equipped and maintained so as to permanently allow safe passage for navigation in the Delimited Region, and notwithstanding the foregoing, the Contractor, in order to facilitate navigation, shall install audio and visual equipment approved or required by the appropriate authorities notified to the Contractor by the Government, and maintain them to the complete satisfaction of said authorities in accordance with the law in force in the Republic of Côte d'Ivoire.

6.5. In exercising its right to construct, perform work and maintain all facilities necessary for purposes of this Agreement, the Contractor may not disturb any public place such as cemeteries, religious buildings, government buildings or those used for a public utility, without the prior consent of the Government, and shall pay the indemnities dues for any damage it causes in accordance with article 29.

6.6. The Contractor, during the Petroleum Operations, shall take all measures necessary to preserve the environment and comply with Best Industry Practice in the international petroleum industry and international conventions (and their amendments) to which the Government is a party relative to ocean water pollution by Hydrocarbons.

In order to prevent pollution, the Government, after consulting with the Contractor, may decide to take any additional measures it deems necessary to ensure preservation of the environment in accordance with the laws in force in the Republic of Côte d'Ivoire and international conventions on the environment to which the Government is a party.

6.7. The Contractor and its subcontractors shall have the obligation to give preference to Ivoirian services and products, under equivalent conditions in terms of price, quality, capacity, safety, environmental performance, term of delivery and term of payment. Ivoirian services and products mean the services produced or goods produced or supplied by a company that is registered in the Republic of Côte d'Ivoire.

Unless otherwise agreed by the Government, the Contractor and its subcontracts agree to call for bids from Ivoirian and foreign bidders for supply, construction or service contracts for an estimated amount greater than five hundred thousand Dollars (US $500,000) per contract in the exploration period, and one million Dollars (US $1,000,000) per contract in the production period, with the understanding that the Contractor shall not unnecessarily divide these contracts.

Copies of all contracts related to the Petroleum Operations shall be submitted to the Government as soon as possible after the time of signature.

6.8. The Contractor agrees to give preference, under equivalent economic conditions, to purchasing goods necessary for the Petroleum Operations instead of renting or otherwise leasing them.

For this purpose, all lease agreements for an estimated amount greater than five hundred thousand Dollars (US $500,000) shall be indicated by the Contractor in the Annual Work Programs.

ARTICLE 7: RIGHTS OF THE CONTRACTOR RELATING TO EXPLORATION PERIODS

7.1. Notwithstanding the provisions of this Agreement, the Contractor shall be entitled:

- **a)** to manage and control, under its entire responsibility, the Petroleum Operations in the Delimited Region;
- **b)** to access any location within the interior of the Delimited Region in order to perform the Petroleum Operations;
- **c)** to perform all acts, facilities, work, and operations necessary to perform the Petroleum Operations both inside and outside of the Delimited Region. The Contractor may choose the location of the facilities during the exploration periods in accordance with the regulations in force in the Republic of Côte d'Ivoire at such a location subject to (i) approval by the Government, which shall not be refused without a valid reason and (ii) conditions of article 2.3 and articles 6.4 to 6.6; and
- **d)** to exercise the rights conferred hereunder, through agents and independent contractors, and consequently to pay all of the related fees and expenses in the currency of choice of the Contractor, in accordance with the provisions of article 23.

7.2. The agents, employees and representatives of the Contractor or its independent subcontractors, for the purposes of the Petroleum Operations, may freely enter or exit the Delimited Region and access all facilities established by the Contractor.

7.3. The Contractor shall be entitled, by paying royalties in effect in the Republic of Côte d'Ivoire, to remove and use soil from under standing timber forests, sand, clay, lime, gypsum, stone and other similar substances necessary for performing the Petroleum Operations.

The Contractor, after reaching an agreement with the Government, may reasonably use these materials to perform the Petroleum Operations, free of charge, when they are located on land owned by the Government and placed near the land where the Petroleum Operations are being performed.

The Contractor, without making any payment, may take or use the water needed for the Petroleum Operations, provided that existing irrigation or navigation is not disturbed and that the land, homes or livestock watering places are not deprived from a reasonable quantity of water.

ARTICLE 8: ACTIVITY REPORTS DURING EXPLORATION PERIODS AND SURVEILLANCE OF PETROLEUM OPERATIONS

8.1. Subject to the provisions of article 8.4 below, the Government shall own and freely dispose of all original data and all final technical documents related to the Petroleum Operations, including but not limited to records, samples, geological, geophysical, petrophysical, drilling and production reports.

8.2. The Contractor agrees to provide the Government with the following periodical reports:

a) daily reports on the drilling activities;

b) weekly reports on geophysical activities;

c) within thirty (30) days following each Calendar Quarter, a report on the Petroleum Operations performed, as well as a detailed statement of Petroleum Costs for the previous Calendar Quarter;

d) before the end of February of each Calendar Year, an annual report on the Petroleum Operations performed, as well as a detailed statement of the Petroleum Costs for the previous Calendar Year.

8.3. Furthermore, the following reports or documents shall be provided to the Government, when they are prepared or obtained:

a) a copy of the geological study and summary reports as well as the related maps;

b) a copy of the geophysical surveys, reports on measurements, studies and geophysical interpretation, maps, profiles, sections or other related documents, and, upon the request of the Government, the original or an official copy of the recorded seismic magnetic tapes;

c) a copy of the installation and test bore completion reports for each wellbore, as well as a full set of recorded logs;

d) a copy of the test reports or production test reports as well as any study related to the bringing of a well on-stream or into production;

e) a copy of reports related to analyses performed on core bores and fluid analysis.

All maps, sections, profiles, logs and other geophysical documents shall be provided on transparent media suitable for subsequent reproduction.

A representative portion of core bores and drilling cuttings taken from each well and samples of fluids produced during the tests or production tests shall also be provided to the Government within a reasonable time period, and no later than sixty (60) days after the closure of the wells.

Upon expiration, or in the event of waiver or termination of this Agreement, the original final technical documents and samples related to the Petroleum Operations, including magnetic tapes, if so requested, shall be sent to the Government.

After having previously advised the Contractor, the Government may at any reasonable moment, during normal working hours and in accordance with the current security regulations, access the

Contractor's files related to the Petroleum Operations, at least one copy of which shall be retained in the Republic of Côte d'Ivoire.

8.4. The Parties agree to treat as confidential and not disclose to third parties any or all of the documents and samples related to the Petroleum Operations, during all exploration periods, as defined in article 3, during all appraisal periods, during all production periods, and in the event of the waiver of one zone, until the date of said waiver with respect to the documents and samples referring to the abandoned zone.

Nevertheless, the Government and each entity comprising the Contractor may at any time authorise access to these documents and samples by third parties of their choice. These may examine the documents and samples related to the Petroleum Operations and shall agree to treat them as confidential.

Notwithstanding the above, each entity comprising the Contractor can freely disclose the confidential data and information:

i. to any company interested in good faith in a potential assignment/acquisition or in an assistance in respect of the Petroleum Operations, after obtaining from this company, a commitment to keep such data and information confidential and to use them for the sole purpose of the aforesaid assignment or assistance;
ii. to any Affiliated Company of an entity comprising the Contractor, as well as to any external professional advisor, taking part in the Petroleum Operations, after obtaining a similar confidentiality commitment from the latter;
iii. to any bank or financial institution from which the Contractor seeks or obtains financing, after obtaining a similar confidentiality commitment from such institution;
iv. when and to the extent that the regulations of a recognized stock exchange or of a supervising or auditing administrative authority require it from one of the entities comprising the Contractor or one of its Affiliated Companies;
v. in the context of any judiciary, administrative or arbitral litigation procedure or if required by applicable law.

If it so deems necessary, the Government may decide to extend the period of confidentiality indicated in this article 8.4.

8.5. The Contractor shall keep the Government informed of its activities. In particular, the Contractor shall notify the Government as soon as possible, and at least fifteen (15) days in advance, of all Petroleum Operations forecast for the Delimited Region, such as geological campaigns, seismic campaigns, commencement of drilling, platform installation and any other important operation mentioned within the approved Annual Works Program.

In the event that the Contractor decides to abandon a wellbore, it shall so notify the Government within at least forty-eight (48) hours in advance of the abandonment.

8.6. One or more duly authorised representatives of the Government may, during normal business hours, after notice to the Operator, monitor the Petroleum Operations and, at reasonable intervals, inspect the work, facilities, equipment, materials, records and books related to the Petroleum Operations, provided that it does not cause a delay that may be detrimental to proper development of such operations. This representative specifically shall be entitled to be present during the

testing and abandonment of any well. It is understood that the notice will be given to the Operator sufficiently in advance to allow compliance with the Operator's rules in relation to security, health and safety rules, and to avoid any interference, obstruction or undue delay in the carrying out of the Petroleum Operations.

In order to allow the above-mentioned rights to be exercised, the Contractor shall provide the representatives of Government with reasonable assistance, especially with regard to insurance cover, means of transport, lodging, and duly justified assignment expenses, provided such does not violate any law applicable to a Party.

8.7. The Contractor shall inform the Government as soon as possible of any discovery of mineral substances within the Delimited Region.

ARTICLE 9: LAND OCCUPANCY

9.1. The Government, without monetary consideration, shall make available to the Contractor, solely for the needs of the Petroleum Operations, the land it owns that is necessary for said Operations. The Contractor may build and maintain, above and below that land, the facilities necessary for the Petroleum Operations.

The Contractor may not request the use of such land if it actually does not need it, and it shall refrain from claiming any land occupied by buildings or properties used by the Government. It is understood that the land belonging to public institutions or agencies under State control are not considered to be Government land.

The Contractor shall compensate the Government for any damage to land caused by the construction, use and maintenance of its facilities on said land. This indemnity will make up the recoverable Petroleum Costs.

The Government shall authorise the Contractor to construct, use and maintain a telephone, telegraph and piping system, above or below ground and throughout the land not owned by the Government, without claiming any compensation, provided that the Contractor causes the least damage possible to this land and in exchange pays the owners of this land reasonable compensation established by mutual agreement.

9.2. The rights to land owned by individuals necessary to perform the Petroleum Operations shall be acquired by a direct agreement between the Contractor and the individual in accordance with current legislation in the Republic of Côte d'Ivoire. In the event of disagreement, the Contractor may seek recourse through the Government, which will use eminent domain expropriation for public utility purposes, at the expense of the Contractor. In establishing the value of these rights, its intended purpose by the Contractor shall not be taken into consideration, and the Government agrees that no law or proceedings for said acquisition shall play a role in assigning an excessive value nor a confiscation value. These rights acquired by the Government shall be recorded in its name, but the Contractor may use them for the needs of the Petroleum Operations, free of charge, throughout the duration of this Agreement. The Government warrants that the Contractor shall be protected with respect to the use and occupancy of this land as if it had title to the property.

ARTICLE 10: USE OF THE FACILITIES

10.1. For the needs of the Petroleum Operations, the Contractor shall be entitled to use, under general law conditions in the Republic of Côte d'Ivoire, any railroad, road, airport, runway, canal, river, bridge, body of water and telephone or telegraph network in the Republic of Côte d'Ivoire, whether owned by the Government or any private business, by means of paying royalties in accordance with the laws that apply in the Republic of Côte d'Ivoire or those that are fixed by agreement but which will not be higher than the prices and tariffs provided to Third Parties for similar services.

Subject to approval by the Government, the Contractor shall also be entitled to use, at its own expense and risk, in accordance with the laws and regulations that apply in the Republic of Côte d'Ivoire and in accordance with the Best Practice of the international petroleum industry, the additions and changes to the facilities that are already in existence for the transport, the treatment or the storage of the Hydrocarbons, provided that such a right does not fetter the rights of Third Parties and does not cause them prejudice and that the additions and changes are necessary for the profitable exploration of the Hydrocarbons coming from the Delimited Region.

The Contractor will also be entitled, for the needs of the Petroleum Operations, to use all overland, ocean or air transportation resources for transporting its employees or equipment, provided that it complies with the laws and regulations that apply in the Republic of Côte d'Ivoire in using these means of transport.

10.2. The Government shall have the right to use any means of transport and communication put in place by the Contractor, through the payment of fair compensation to be fixed by mutual agreement, but which shall not be higher than the prices and rates granted to Third Parties for similar services, provided that, in the opinion of the Contractor, this use by the Government does not hinder the Petroleum Operations nor prejudice them.

Under the same conditions, in the event of national need, specifically national catastrophes, cataclysmic events, domestic or foreign perils, the Contractor shall make its resources available to the Government at its request.

10.3. This Agreement shall in no way limit the Government's right to build, operate and maintain on, under and throughout land made available to the Contractor for the needs of the Petroleum Operations, roads, railroads, airports, runways, canals, bridges, flood control projects, police stations, military facilities, pipelines, telegraph and telephone lines, provided that this right is not exercised in such a way as to jeopardise or hinder the rights of the Contractor pursuant to this Agreement, or the Petroleum Operations, or is detrimental to them, except in the case of national need.

Likewise, the Government may authorise persons to construct, operate and maintain the facilities in the Delimited Region provided that this right does not compromise or hinder the rights of the Contractor pursuant to this Agreement or the Petroleum Operations, or is not detrimental to them, except in the case of national need.

<u>ARTICLE 11:</u> APPRAISAL OF A HYDROCARBONS DISCOVERY

11.1. In the event that the Contractor discovers Hydrocarbon shows in the interior of the Delimited Region, it must notify the Government as soon as possible and submit, within thirty (30) days following the date of provisional shutting in or abandonment of the discovery well, a report providing all information relative to said discovery.

11.2. If the Contractor wants to perform the appraisal work for the Hydrocarbons discovery indicated in article 11.1 above, it shall submit to the Government for approval, within twelve (12) months following the date of notification of said discovery, a permit application for the duration of said works and the corresponding estimated Budget, as well as a map establishing the boundaries of the Appraisal Perimeter, for examination and approval by the Government.

The provisions of articles 5.2 and 5.3 shall apply, *mutatis mutandis*, to said appraisal program with regard to approval and performance, with the understanding that the submitted program cannot be rejected or modified by the Government if it complies with the Best Industry Practice in the international petroleum industry.

Notwithstanding any provisions to the contrary in this Agreement, the term for notification defined in articles 11.1 and 11.2 shall apply even in the event of expiration of an exploration period. The Government and the Contractor shall agree on the provisional Appraisal Perimeter that shall remain valid while the Contractor submits the application indicated in article 11.2 until expiration of the period indicated in the first section of article 11.2.

11.3. If the Contractor meets the conditions indicated in article 11.2, the Government shall grant it an exclusive appraisal permit for a term of four (4) years from the date of approval of the appraisal work program and the corresponding Budget, for the Appraisal Perimeter established in said program. Notwithstanding any specific provisions of this article, the Contractor, throughout the validity of said exclusive appraisal permit, shall be subject to the same system as that applicable to the exclusive exploration permit.

11.3.1. If the Government grants an exclusive appraisal permit under article 11.3, the Contractor shall then diligently perform the appraisal work program for the discovery in question, specifically drill the appraisal well and perform the production tests established in said program.

At the request of the Contractor, notified at least thirty (30) days before expiration of the appraisal period defined in article 11.3 above, the duration of said period may be extended for a maximum of twelve (12) months, provided that this extension is justified by the drilling of boreholes and production tests for the appraisal program.

11.3.2. Within three (3) months from the completion of the appraisal work, and no later than thirty (30) days before expiration of the appraisal period, the Contractor shall provide the Government with a detailed report providing all information relative to the discovery and its appraisal.

11.3.3. If the Contractor believes, after performing the appraisal work, that the Field corresponding to the Hydrocarbons discovery is commercial, it shall also submit to the Government, along with the above-mentioned report, an exclusive production permit application defined in article 11.3.2 above, accompanied by a detailed development and production plan for said Field that specifically includes the following:

a) the planned boundaries of the Production Perimeter requested by the Contractor, so that it covers the area defined by the enclosure of the field identified in article 11.1, as well as all technical justification concerning the scope of said Field;

b) an estimate of the reserves in place, recoverable, proven and probable reserves, and the corresponding annual production, as well as a study of any recovery and enhancement methods for Crude Oil associated products, such as Associated Natural Gas;
c) an item-by-item description of the facilities and work necessary for production, such as the number of development wells, the number and characteristics of pads, pipelines, production, processing, storage and loading facilities;
d) the estimated performance schedule and the planned date to begin production, and
e) the estimated investments and production expenses, as well as an economic evaluation confirming the commercial nature of the discovery identified in article 11.1.

11.3.4. The commercial nature of one or more Hydrocarbon Fields shall be evaluated at the discretion of the Contractor, provided that after the appraisal work, it submits to the Government the economic study indicated in article 11.3.3 e) confirming the commercial nature of said Field(s).

A Field may be declared to be commercial by the Contractor after having considered the operational and financial data collected during the performance of the exploration programme and the appraisal program, and including but not limited to the recoverable Hydrocarbon reserves, the durable production levels, the availability of the commercial markets and other technical and economic factors and according to the Best Industry Practice in the international petroleum industry.

11.3.5. In order to evaluate the commercial nature of the Field(s), the Government and the Contractor shall meet within ninety (90) days following submission of the development and production plan accompanied by the economic evaluation.

11.3.6. The development and production plan submitted by the Contractor shall be approved by the Government, which may not be withheld without a valid reason. Within ninety (90) days following submission of said plan, the Government may propose revisions or changes to the plan, notifying the Contractor with all necessary justifications. In this case, the Parties shall meet as soon as possible to examine the revisions or modifications requested and to establish the plan in its definitive form by mutual agreement; the plan shall be considered to be approved by the Government as of the date of said agreement.
If the Government fails to notify the Contractor of its proposed revision or modification within ninety (90) days as indicated above, the development and production plan submitted by the Contractor shall be considered to be approved by the Government upon expiration of said term.

11.4. When the Contractor does not wish to perform the appraisal work for the Hydrocarbons discovery indicated in article 11.1, the provisions of article 3.8 shall be applicable.

11.5. If, after the appraisal period defined in article 11.3., the Contractor justifies that bringing the evaluated Field on-stream is not very profitable due to current economic circumstances and that other discoveries are likely to be made in the rest of the Delimited Region that will allow all of the discoveries to be cumulatively declared to be commercial, it may petition the Government to allow it to retain its rights to the area delimiting the discovery for a duration that may not under any circumstances exceed that of all of the exploration periods.

11.6. If, for reasons that are not technically justified, the Contractor:
a) has not, within twelve (12) months following notification to the Government of a Hydrocarbon discovery, applied for an exclusive appraisal permit or

b) has not begun the appraisal work for said discovery within six (6) months after having obtained the exclusive appraisal permit or
c) within eighteen (18) months after completing the appraisal work, does not declare the discovery commercially viable,

the Government may request the Contractor abandon its rights to the area presumed delimits the said discovery without any indemnity in favour of the Contractor.

If, within sixty (60) days following the Government's request, the Contractor has not requested an exclusive appraisal permit, nor commenced the appraisal works nor declared that the discovery is commercially viable, if appropriate, the Contractor shall then abandon said area and shall lose all rights to the hydrocarbons that may be produced from said discovery; any area so relinquished shall be deducted from the areas to be relinquished pursuant to article 3.5.

11.7. Any quantity of Hydrocarbons produced from a discovery before it is declared to be commercial, if it is not used for the needs of the Petroleum Operations or lost, but if it is sold, shall be measured in accordance with the provisions of article 15.9 and included in the Total Production for application of the provisions of articles 16, 17 and 21.

11.8. Notwithstanding any provisions to the contrary in this article 11, if the Contractor believes that it can directly develop and produce a Hydrocarbons discovery without first performing all of the appraisal work, it may submit an exclusive production permit application accompanied by a detailed development and production plan in accordance with article 11.3.3, provided that it is able to justify in said plan that it has compiled sufficient information, especially with regard to production tests, showing that it is not necessary to perform appraisal work.

ARTICLE 12: GRANTING AN EXCLUSIVE PRODUCTION PERMIT RELATING TO A COMMERCIAL DISCOVERY

12.1. A commercial Hydrocarbons discovery gives the Contractor the exclusive right, if it submits an application under the conditions established in article 11.3.3, to obtain for such discovery an exclusive production permit covering the corresponding Production Perimeter.

12.2. If the Contractor makes several commercial discoveries in the Delimited Region, each of them, in accordance with the provisions of article 12.1, shall entitle the Contractor to an exclusive production permit, each corresponding to a Production Perimeter. The number of exclusive production permits and of related Production Perimeters in the Delimited Region is unlimited.

12.3. If, during the course of the work subsequent to granting the exclusive production permit, it appears that the area defined by the enclosure of the Field in question is greater than that initially projected in accordance with article 11.3.3, the Government shall grant the Contractor, within the context of the exclusive production permit already issued, an additional area so that the entire Field is covered by the Production Perimeter, provided, however, that the Contractor provides the Government, along with its application, with technical documentation justifying the requested extension.

12.4. In the event that a Field declared commercial extends beyond the limits of the Delimited Region, to areas that have been attributed to other entities, the Contractor, at the Government's written request, and after submission of a development and production plan for the said Field, by the Contractor or the owner(s) of the adjacent areas, must develop the mentioned Field in

association with the owner(s) of the adjacent areas according to the provisions of a "unitization" agreement.

In this case, the Contractor and the owner(s) of the adjacent areas agree to submit a joint development and production plan ("**Joint Plan**") for approval by the Government within no more than twelve (12) months after the Government makes its request.

The Joint Plan must comply with the Best Industry Practice in the international petroleum industry and will be treated in accordance with the provisions of article 11.3.6.

If the Contractor and the owner(s) of the adjacent areas do not submit the Joint Plan for approval by the Government within twelve (12) months as indicated above, the Government will appoint an independent consultant, from the lists of four (4) consultants proposed by each of the Contractor and the owner(s) of the adjacent areas within thirty (30) days after expiry of the above-mentioned twelve (12) month period.

The consultant so appointed by the Government shall prepare, in accordance with the Best Industry Practice in the international petroleum industry and within a period of ninety (90) days, a Joint Plan, based on the previous development plans submitted by the Contractor and by the owner(s) of adjacent areas. During this procedure, the consultant shall consult with the Parties and keep them regularly informed. At the end of his or her work, the consultant must submit the Joint Plan to the Government, to the Contractor and to the owner(s) of the adjacent areas.

The Government, the Contractor and the owner(s) of the adjacent areas shall meet as promptly as possible to examine any proposed reviews and changes, and by mutual agreement, establish the final version of the Joint Plan.

12.5. In the event that a Field that is declared to be commercial extends beyond the limits of the Delimited Region into a block that has not yet been assigned or that has not yet been negotiated with another company, the Government will give priority to the Contractor, according to the conditions defined in an agreement, for said adjacent block, if the Contractor so requests.

ARTICLE 13: DURATION OF THE PRODUCTION PERIOD

13.1. The duration of an exclusive production permit, during which time the Contractor is authorised to produce a commercial Field, is set at twenty-five (25) years from the date on which it is granted as stated in article 12.

If, upon expiry of the twenty-five (25) year production period defined above, the commercial production of a Field is still possible, the Government will authorise the Contractor, upon the latter's grounded request submitted at least twelve (12) months before the mentioned expiry, to, within the framework of this Agreement, continue production of the said Field during an additional period including the remaining commercial production period for the Field, where such duration cannot exceed ten (10) years, conditional on the Contractor having fulfilled its obligations during the current production period.

If, upon expiration of this additional production period, commercial production of said Field is still possible, the Contractor may request the Government, at least twelve (12) months before said expiration, to authorise it to pursue production of said Field, within the context of this Agreement, during an additional period to be agreed.

13.2. The Contractor may at any time waive any or all of an exclusive production permit, subject to advance notice of at least six (6) months, which may be reduced with the consent of the Government. This advance notice shall be accompanied by the list of measures that the Contractor waiving the permit agrees to take, in accordance with the Best Industry Practice in the international petroleum industry, at the time of such waiver, which shall not become effective until after the required abandonment.

13.3. The exclusive production permit may be withdrawn in the following cases:
a) the stopping of the development or production work in a Field declared to be commercial, during an uninterrupted term of at least six (6) months, except in the case of Force Majeure in accordance with article 33, without the approval of the Government, or
b) the abandonment of production of a Field with the exception of the provisions of article 13.2.

In the case of a Natural Gas Field, if the Natural Gas buyer(s) were unable or were unwilling to take delivery of the Natural Gas production under normal commercial conditions for a period of at least six (6) months, the Contractor may refer the matter to the Government in writing and the Contract will be extended for a period that is equal to that during which the production work was interrupted.

13.4. Upon expiration, waiver or withdrawal of the last exclusive production permit granted to the Contractor, this Agreement shall end.

13.5. The expiration or termination of this Agreement for any reason whatsoever shall not put an end to the Contractor's obligations created before or at the time of such expiration or termination and that must be performed, especially with regard to the provisions of article 20.

13.6. In the event of waiver by the Contractor of any or all of a Production Perimeter or withdrawal or expiration of an exclusive production permit, if the Government believes that production of the Field in question may be pursued by a new operator, the Government shall be entitled to have it produced, without any consideration for the Contractor. The Parties and the new operator will consult with each other in relation to a transition plan so as to ensure production continuity. In such a case, the Contractor will be released of all commitments and all liability resulting from this Agreement, especially the abandonment obligations provided under article 20.16.

<u>ARTICLE 14:</u> PRODUCTION OBLIGATION

14.1. For any Field entailing the grant of an exclusive production permit, the Contractor agrees to perform, at its expense and its own financial risk, all Petroleum Operations that are appropriate and necessary for production of said Field.

14.2. If the Contractor establishes, during the development period or during the production period, that production of a Field is not commercially profitable, although an exclusive production permit was granted in accordance with the provisions of article 12.1, the Government agrees to not require the Contractor to continue production of this Field.

In this case, the Government, at its discretion, may withdraw the exclusive production permit in question from the Contractor, without any consideration for the Contractor, subject to sixty (60) days advance notice, and the provisions of articles 13.6 and 20 shall be specifically applicable.

<u>ARTICLE 15:</u> OBLIGATIONS AND RIGHTS OF THE CONTRACTOR RELATED TO EXCLUSIVE PRODUCTION PERMITS

15.1. The Contractor shall begin the development work presented within the development and production plan within no more than six (6) months after approval of the development and production plan set forth in article 11.3.6., and shall pursue it with the maximum diligence.

In accordance with article 14.2, the Contractor agrees to produce all of the Hydrocarbons contained in the Production Perimeter, under economically viable conditions.

15.2. The provisions of articles 5, 6, 7, 8, 9 and 10 are also applicable, *mutatis mutandis*, within the context of exclusive production permits.

15.3. The Contractor is entitled to build, use, operate and maintain all Hydrocarbons storage and transport facilities that are necessary for the production, processing, transportation and sale of the Hydrocarbons produced, in accordance with the conditions set forth in this Agreement.

The Contractor may determine the layout and placement of pipelines within the Republic of Côte d'Ivoire necessary for the Petroleum Operations, but it must submit the plans that are in accordance with Best Industry Practice in the international petroleum industry and the regulations in force in the Republic of Côte d'Ivoire to the Government for approval before beginning work; all pipelines crossing or along roads or passages (other than those used exclusively by the Contractor) shall be constructed so as to not disturb said roads or passages.

The transportation conditions and the security regulations for these projects shall be the subject of an agreement between the Parties.

15.4. The Contractor, within the limit and for the duration of the excess capacity of a pipeline or a processing, transportation or storage facility built for the needs of the Petroleum Operations, may be required to accept the passage of Hydrocarbons from production other than that of the Contractor, provided that:

a) this passage is not detrimental to the Petroleum Operations, and

b) a reasonable tariff covering normal compensation of funds invested to construct and operate the pipeline or facility is question is paid by the user.

The Contractor shall determine an order of priority should there be a passage of Hydrocarbons from one (1) or more other operations. The tariffs and the order of priority will be subject to the Government's prior approval.

15.5. Upon obtaining an exclusive production permit, the Contractor agrees to diligently perform the development drilling, spaced apart to guarantee, in accordance with the Best Industry Practice in the international petroleum industry, so as to maximise the economic recovery of the Hydrocarbons contained in the Field in question.

15.6. The Contractor must observe Best Industry Practice in conducting the development and production operations, so as to maximise the economic recovery of the Hydrocarbons, and to carry out assisted recovery studies.

15.7. The Contractor shall provide the Government with all reports, studies, results of measurements, tests, and documents that enable it to control proper production of each Field.

The Contractor must specifically take the following measures in each production well:

a) monthly test of production and of gas/oil ratio, and
b) semi-annual measurement of the reservoir pressure of the Field.

15.8. The Contractor agrees, from each Field, to produce annual quantities of Hydrocarbons according to the provisions of article 15.6.

The annual production rates of each Field shall be submitted by the Contractor, together with the Annual Work Programs indicated in article 5, for approval by the Government, which shall not be refused if the Contractor provides technically and economically justified arguments.

15.9. The Contractor shall measure, by using, after Government approval, a measuring instrument, the measuring tools and procedures in accordance with Best Industry Practice in the international petroleum industry, at a point established by mutual agreement between the Parties, all Hydrocarbons produced after extracting water and sediments, with the exception of:

a) Hydrocarbons used for the Petroleum Operations, and
b) inevitable losses.

The Government shall be entitled to examine these measures and to verify the devices and procedures used, or have them verified.

If the Contractor wishes to modify said measurement devices and procedures, it shall first obtain the approval of the Government.

When the devices and procedures used have resulted in an over- or under-estimate of the measured quantities, the error shall be considered to exist as of the date of the last calibration of the devices, unless otherwise justified, and the appropriate adjustment shall be made for the period during which this error exists.

<u>ARTICLE 16:</u> RECOVERY OF PETROLEUM COSTS RELATING TO CRUDE OIL AND PRODUCTION SHARING

16.1. Since beginning regular production of Crude Oil, the Contractor shall sell all production of Crude Oil obtained from the Delimited Region, in accordance with the provisions below defined.

16.2. To recover the Petroleum Costs, the Contractor may take, free of charge every Calendar Year, a portion of the production of Crude Oil which under no circumstances shall exceed seventy-five percent (75%) of the Total Production of Crude Oil of the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs actually incurred and paid.

If, during the course of a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article, exceed the equivalent ofseventy-five percent (75%) of the value of the Total Production of Crude Oil from the Delimited Region, the balance of the

Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the following Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be added to the Development Expenditures that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 16.2.

16.3. The quantity of Crude Oil from the Delimited Region remaining during the course of each Calendar Year after the Contractor has taken from the Total Production of Crude Oil the portion necessary for recovery of the Petroleum Costs in accordance with the provisions of article 16.2, hereinafter referred to as "**Remaining Production**," shall be shared between the Government and the Contractor in the following manner:

Portion of Total Daily Production of Crude Oil (in Barrels/day)	Contractor's Participating Interest in the Remaining Production
From 0 to 50,000	**62%** multiplied by H
From 50,001 to 100,000	**57%** multiplied by H
From 100,001 to 150,000	**52%** multiplied by H
Over 150,000	**47%** multiplied by H

The "**H**" factor is defined as follows:

- for a Crude Oil price between $50 and $200 per barrel:
  H = 1.629 – 0.141 Ln (Deflated Crude Oil price in December 2011),
  Ln being the natural Logarithm.

In any event, it is understood that:

- for a price of Crude Oil less than $50 per barrel: **H = 1.08**
- for a price of Crude Oil greater than $200 per barrel: **H = 0.88**

The deflation is calculated based upon the "Consumer Price Index, **CPI**" of the United States of America (USA) according to the following formula:

$$P(M, \text{Dec } 2011) = \frac{P(M) \times CPI(\text{Dec } 2011)}{CPI(M)}$$

where:

P(M, Dec 2011): Crude Oil price for month M deflated for December 2011;

P (M): Crude Oil price for month M;
CPI (M): U.S. Consumer Price Index for month M;
CPI (Dec. 2011): U.S. Consumer Price Index for December 2011.

Unless otherwise agreed, the Consumer Price Indices of the United States of America (CPI) are provided by the "US Bureau of Labor Statistics/All Urban Consumers/U.S. city average/All items" on the website "www.bls.gov/cpi".

In the event the above-mentioned index no longer exists, the Parties shall agree to choose another index within ninety (90) days following the date on which the index ceased to exist. If no agreement on a new substitution index is reached within ninety (90) days, the Parties may, in respect of Petroleum Costs, hire an independent consultant so as to propose, within ninety (90) days, a similar index that will be imposed on the Contractor.

In the event agreement is not reached concerning the above-mentioned ninety (90) days, the Government will, within thirty (30) days appoint a consultant to propose a new index within sixty (60) days after their appointment by the Government. The consultant's costs and expenses are Petroleum Costs that are recoverable under this Contract.

When the cumulative production of Crude Oil in the Delimited Region reaches twenty-five (25) million barrels, the Contractor's share in the Remaining Production (before application of the H factor) shall decrease by one half of one percent (0.5%) for each applicable portion of production.

When the cumulative production of Crude Oil in the Delimited Region reaches fifty (50) million barrels, as well as for each twenty-five (25) million incremental barrels, the Contractor's share in the Remaining Production (before application of the H factor) shall decrease by one percent (1%) for each applicable portion of production up to a cumulative limit of one hundred and fifty (150) million barrels is reached.

When the cumulative production in the Delimited Region reaches one hundred and fifty (150) million barrels, no further reduction of the Contractor's share shall be applied.

By way of example, for a daily production that amounts to between 0 and 50,000 barrels/day, the Contractor's share in the Remaining production is of 62% multiplied by H.

When cumulative production reaches 25,000,000 barrels, the Contractor's share in the Remaining production becomes:

- **62**% - (**62**% x 0.5%) = 61.69**% multiplied by H**

When cumulative production reaches 50,000,000 barrels, the Contractor's share in the Remaining production becomes:

- **61.69**% - (**61.69**% x 1%) = 61.0731**% multiplied by H**

When cumulative production reaches 75,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 61.0731% - (61.0731% x 1%) = 60.462369**% multiplied by H**

When cumulative production reaches 100,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 60.462369% - (60.462369% x 1%) = 59.85774531**% multiplied by H**

When cumulative production reaches 125,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 59.85774531% - (59.85774531% x 1%) = 59.2591678569**% multiplied by H**

When cumulative production reaches 150,000,000 barrels, no reduction will be made to the Contractor's share in the Remaining production, and the Contractor's share in the Remaining Production is maintained at 59.2591678569**% multiplied by H**

The State's share in the Remaining Production is equal to the Remaining Production after recovery of the Petroleum Costs, less the Contractor's share as calculated above.

For application of this article, the Total Daily Production of Crude Oil shall be the average rate of daily Total Production of Crude Oil at the wellheads during the Calendar Month in question.

Thus, for a given Total Daily Production of Crude Oil, the Contractor shall take the portion necessary for recovery of the Petroleum Costs as provided in article 16.2, in each portion of Total Daily Production of Crude Oil defined in the table above before sharing the Remaining Production between the Government and the Contractor according to the rates agreed as above.

For purposes of applying the tax legislation of the Republic of Côte d'Ivoire, the quantity of Crude Oil that the Government shall receive during the course of each Calendar Year, pursuant to this article 16.3, shall include the portion necessary to pay all tax(es) of the Contractor in the Republic of Côte d'Ivoire that may be imposed on its income. The Government agrees to pay on this portion all income tax(es) in the name and on behalf of the Contractor, and to send the Contractor the official vouchers for these payments as set forth in article 17.6. In order to determine the value of said portion necessary for payment of income tax, the Government shall use the sales price defined in article 18. The share of Crude Oil made available to the Government representing income tax shall be determined separately and specified in accordance with the provisions of this article.[NOTE: FOR DISCUSSION ON 18 DECEMBER 2017]

However, notwithstanding the above, it is agreed that each entity constituting the Contractor may choose to pay directly in cash the tax on its industrial and commercial profits for any given Fiscal Year.

In this case, the tax will be paid by the entity concerned in instalments:

- simultaneously to the payments to be made by PETROCI under article 16.6 below; or

- within forty-five (45) days running from the date the Government removed its part in the Remaining Production, in the event that the Government, in accordance with article 16.5, chooses to receive all of its share in kind.

The instalment amounts to be paid, as stated above, will each be equal to the value based on the selling price defined in article 18 below, of the portion the Government received as its share in the Remaining Production, for the payment of the entity concerned.

As soon as the entity in question has paid the required instalment as a result of the above, the Government shall remit to that entity, in compensation, an amount identical to the aforementioned portion that the Government has previously received. The determination of the quantity of Crude Oil and the allocation of Crude Oil to this entity will be made as much as possible during the first collection following the payment of the income tax.

At the end of the Fiscal Year, where the instalment amounts the entity has paid for the Fiscal Year in question is higher or lower than the amount of the tax actually due, an appropriate adjustment will be made either by the entity settling the balance, either by the entity or the Government paying the equivalent amount. No adjustment will occur after the end of the Agreement.

16.4. The Government may receive its share of production defined in article 16.3, either in cash or kind, with the understanding that for budget purposes, fifteen percent (15%) of this share of production shall be allocated to the State's *Fonds d'Actions Pétrolières* [Petroleum Share Fund] and shall not entail any additional charge for the Contractor.

16.5. If the Government wants to receive any or all of its share of production defined in article 16.3 in kind, it shall advise the Contractor to this effect in writing at least ninety (90) days before the start of the Calendar Quarter in question, specifying the exact quantity it wishes to receive in kind during said Calendar Quarter.

For this purpose, the Contractor shall not sign any commitment to sell the Government's share of production with a term longer than one (1) year without the Government's written consent.

16.6. If the Government wishes to receive any or all of its share of production defined in article 16.3 in cash, or if the Government has not notified the Contractor of its decision to receive its share of production in kind in accordance with article 16.5, PETROCI is required to sell the Government's share of production and to pay it, within thirty (30) days after receipt of payment, the amount equal to the quantity corresponding to the Government's share of production multiplied by the sales price defined in article 18 less the charges incurred by such operation.

ARTICLE 17: TAX SYSTEM

17.1. Subject to any provisions to the contrary in this Agreement, the Contractor, as a result of its Petroleum Operations, shall be subject to the applicable laws and regulations in effect in the Republic of Côte d'Ivoire with respect to Duties and Taxes, and including the requirements relating to providing tax returns as well as the calculation of taxes and tax contributions and the Contractor shall file any declarations that may be required for this purpose.

It is specifically acknowledged that the provisions of this article apply individually with respect to all entities comprising the Contractor pursuant to this Agreement.

The Contractor shall maintain, by Fiscal Year, separate accounting from the Petroleum Operations, in accordance with current legislation in the Republic of Côte d'Ivoire, especially

in order to establish a production and income account as well as a balance sheet showing the results of the Petroleum Operations as well as the assets and liabilities allocated or related thereto.

17.2. For application of the provisions of article 17.1, the Contractor, according to its net earnings derived from the Petroleum Operations, is subject to direct taxation on industrial and commercial earnings as established in the General Tax Code.

In accordance with the provisions of article 16.3 and 21.3.1, the Contractor shall not be subject to any payment to the Government for said tax. From the point of view of the tax authorities of the Republic of Côte d'Ivoire, the share of Hydrocarbons that the Contractor is authorised to receive pursuant to the provisions of articles 16.2, 16.3, 21.1.5, 21.2.4 and 21.3.1 is considered to represent the recovery of Petroleum Costs and the net earnings reverting to the Contractor after tax on industrial and commercial income.

17.3. In order to determine the net taxable earnings of the Contractor for a Fiscal Year, the production and income account shall be credited with:

a) the gross annual revenue of the Contractor reported in its accounting books, from the sale of the quantity of Hydrocarbons it has pursuant to the articles 16.2, 16.3 and 21.3.1.

The Contractor shall endeavour to obtain an export price for the Crude Oil that most closely reflects the international market rate at the time of establishing the price.

b) all other revenue or proceeds related to the Petroleum Operations, especially including those from:

- the sale of related substances;
- the processing, transportation or storage of products for Third Parties at the facilities allocated to the Petroleum Operations.
- Subject to article 17.7, gains realised at the time of assigning or transferring any assets of the Contractor, or the full or partial assignment of the rights and obligations arising out of this Agreement. Nevertheless, a gain cannot result from any transfer (i) that does not entail an actual payment in cash or kind by the transferee to the transferor or recovery of a liability already booked by the transferor or (ii) that cannot be considered in any way a financial profit;
- foreign exchange gains realised from the Petroleum Operations.

c) the value of the share of Hydrocarbons taken by the Government, in accordance with the last section of article 16.3 and the penultimate section of article 21.3.1, in payment of the income tax indicated in article 17.1 for the Fiscal Year in question.

17.4. This same production and income account shall be debited in the amount of all charges required for the needs of the Petroleum Operations for the Fiscal Year in question, the deduction of which is authorised by applicable laws in the Republic of Côte d'Ivoire and the provisions of this Agreement.

The charges that may be deducted from income for the Fiscal Year in question specifically include the following:

a) Besides the charges explicitly indicated below in this article 17.4, all other Petroleum Costs, including the cost of supplies, personnel and labour expenses, and the cost of services provided to the Contractor for the Petroleum Operations. Nevertheless:

- the cost of supplies, personnel and services provided by Affiliated Companies shall be deductible insofar as they do not exceed those normally invoiced under free market conditions between an independent buyer and seller for the identical or similar services.
- fixed asset expenses shall be amortised as of the start of commercial production in the Delimited Region. The amortisation deductible for the Fiscal Year in question shall be equal, at most, to the difference, if positive, between the amount of the Petroleum Costs recovered for the Fiscal Year in question pursuant to article 16.2, and the total of other amounts charged to the production and income account in accordance with this article 17.4.

b) The overheads related to the Petroleum Operations performed within the context of this Agreement, including in particular:

- the leasing expenses for movable and immovable property and insurance premiums, and
- a reasonable share, in relation to the services rendered for the Petroleum Operations performed in the Republic of Côte d'Ivoire, wages and salaries paid to directors and employees residing abroad, and administrative overheads of the central offices of the Contractor and the Affiliated Companies working on its behalf, located abroad, and the indirect expenses incurred by said central offices abroad on their behalf. The overheads paid abroad may not under any circumstances be greater than the limits established in the Accounting Procedure.

c) The actual amount of interest and commission fees paid to the creditors of the Contractor, within the limits established in the Accounting Procedure. Shareholders and Affiliated Companies shall not be considered as "third parties" pursuant to article 72.3 of the Petroleum Code and, as a result, any advances and loans made to them outside of the Republic of Côte d'Ivoire shall not be submitted for approval by the petroleum administration indicated in said article, but shall be declared to it and, in accordance with the previous section, shall also be subject to the limitations established in the Accounting Procedure.

d) Losses of equipment or assets resulting from destruction or damage, assets to be waived or abandoned during the year, irrecoverable receivables, compensation paid to Third Parties for damages.

e) Reasonable and justified provisions established to cover clearly identified subsequent losses or expenses that are likely according to current situations, especially provisions for abandonment costs established pursuant to article 20.8.

f) Any other losses or charges directly related to the Petroleum Operations, as well as bonuses and amounts paid during the Fiscal Year pursuant to article 19 and articles 30.2, 30.3 and 30.4, with the exception of the amount of direct income tax determined in accordance with the provisions of this article.

g) The uncleared amount of losses from prior Fiscal Years in accordance with the legislation of the Republic of Côte d'Ivoire.

17.5. The net taxable income of the Contractor shall be equal to the difference, if positive, between the total amounts credited and the total amounts debited to the production and income account. If this amount is negative, it constitutes a loss.

17.6. Within three (3) months following the close of a Fiscal Year, each entity comprising the Contractor shall send the appropriate tax authorities its annual income tax declaration, accompanied by financial statements, as required by current legislation in the Republic of Côte d'Ivoire.

The Government, after examining said annual declaration and ascertaining payment of the tax, shall issue to the Contractor, within a reasonable time period, the tax vouchers and all other documents showing that the Contractor has performed, for the Fiscal Year in question, all of its fiscal obligations in terms of the industrial and commercial income tax as defined in this article. These tax receipts issued in the Contractor's name will state the amount of tax paid on income and will present the information and related matters in detail.

17.7. Outside of the industrial and commercial income tax as defined in this article and the bonuses indicated in article 19, the Contractor shall be exempt from all national, regional or municipal taxes, duties, levies or contributions of any type imposed on the Petroleum Operations and all related income or, more generally, property, durable goods (including offshore storage vessel), activities or actions of the Contractor (including its establishment and operation for performance of this Agreement).

The agents, subcontractors, suppliers and Affiliated Companies of the Contractor shall also be exempt from all national, regional or municipal taxes, duties, levies or contributions of any type imposed on the Petroleum Operations and all related income, in particular including but not limited to turnover tax, value added taxes (VAT), tax on banking transactions Taxes sur les opérations bancaires, (or TOB), tax on non-commercial income (BNC), tax on credit income (IRC) and on industrial and commercial income (BIC), due on sales or purchases, work performed and services rendered to the Contractor within the context of this Agreement.

Pursuant to the foregoing, the Contractor is presumed to have paid, in the name and on behalf of its agents, subcontractors and suppliers and Affiliated Companies, the taxes described above by allocating to the Government the share of Hydrocarbons due to it pursuant to articles 16.3 and 21.3.2 below; consequently, the benefit of the certificate issued by the Government to the Contractor by virtue of the payment of taxes on the portion of Hydrocarbons attributed to it pursuant to articles 16.3 and 21.3.1 extends to the agents, subcontractors, suppliers and Affiliated Companies of the Contractor.

Shareholders of the entities comprising the Contractor and their Affiliated Companies shall also be exempt from all taxes, duties, levies and contributions for dividends received, credits, loans and related interest, purchases, transportation of Hydrocarbons for export, services rendered and in general, on all income and activities in the Republic of Côte d'Ivoire related to the Petroleum Operations.

In addition to the exemptions provided for under the Petroleum Code, assignments of all types between the companies that are party to this Agreement, themselves or between them and their

Affiliated Companies, as well as any other transfer carried out in accordance with the provisions of article 35, shall be exempt from all duties or taxes due for this purpose. Assignments of all types between the companies that are party to this Agreement and Third Parties shall be subject to payment of fees as defined in article 35.

Pursuant to the provisions of this article and the provisions relative to the customs system, the Contractor shall submit for approval by the Director General of Hydrocarbons a list of subcontractors, suppliers and Affiliated Companies providing goods and services within the context of performance of this Agreement. Such approval shall not be unreasonably withheld and if not approved within forty five (45) days shall be deemed approved. A copy of the approved list shall be forwarded by the Director General of Hydrocarbons to the General Tax Office and also to the General Customs Office. This list shall be subject to revision and periodic amendment as the Agreement is performed.

17.8. As an exception to the foregoing provisions, property taxes shall be due under the conditions of ordinary law on residential property in force in the Republic of Côte d'Ivoire, and the above-mentioned exemptions do not apply to duties, taxes and fees due in exchange for services rendered by Ivoirian government administrations, collectivities and public institutions.

Nevertheless, the tariffs applied in this respect vis-à-vis the Contractor and its contractors, transporters, clients and agents shall remain reasonable in relation to the services rendered and shall correspond to tariffs generally applied for these same services by said government administrations, collectivities and public institutions.

ARTICLE 18: SALES PRICE OF CRUDE OIL

18.1. For the purposes of this Agreement, and especially for application of articles 16.2, 16.6, 17, 22 and 27, the price of the Crude Oil shall be the "**Market Price**" F.O.B. at the point of Delivery of the Crude Oil, expressed in Dollars per barrel and payable at thirty (30) days from date of Bill of Lading, as determined below for each Calendar Quarter.

A Market Price shall be determined for each type of Crude Oil or blend of Crude Oils.

18.2. The Market Price applicable to Crude Oil lifted during a Calendar Quarter shall be calculated at the end of said Calendar Quarter and shall be equal to the weighted average sales price of Crude Oil from the Delimited Region obtained during said Calendar Quarter by the Contractor and the Government from independent buyers, adjusted to reflect the differences in quality and density as well as the F.O.B. delivery terms and payment terms, provided that the quantities sold in this manner to independent buyers during the Calendar Quarter in question represent at least thirty percent (30%) of the total quantities of Crude Oil from the Delimited Region sold during said Calendar Quarter.

18.3. In the event that these sales to independent buyers are not performed during the Calendar Quarter in question or do not represent at least thirty percent (30%) of the total quantities of Crude Oil from the Delimited Region sold during the course of the said Calendar Quarter, the Market Price shall be determined, for sales of Crude Oils of a quality similar to the Crude Oil of the Delimited Region intended for the same markets as those on which the Ivoirian Crude Oil would normally be sold, based upon prices applied on the international market during this Calendar Quarter between independent buyers and sellers published during this Calendar Quarter in the "Platt's Oilgram Price Report" or any other document agreed between the Parties, adjusted

to take into account any differences in quality, density and transportation as well as the terms of sale and payment.

The government and Contractor shall select these reference Crude Oils at the beginning of each Calendar Year.

18.4. The following transactions shall specifically be excluded from the calculation of the Market Price of Crude Oil:

- **a)** sales in which the buyer is an Affiliated Company of the seller and the sales between entities comprising the Contractor;
- **b)** sales on the Ivorian domestic market pursuant to article 27.1, and
- **c)** sales entailing compensation other than payment in freely convertible currency and sales motivated, in whole or in part, by considerations other than the economic incentives that are usual in sales of Crude Oil on the international market (such as foreign exchange contracts, government to government sales or to governmental agencies).

18.5. Within (10) days following the end of each Calendar Quarter, the Government and the Contractor shall notify each other of the prices obtained for their share of production of Crude Oil from the Delimited Region sold to independent buyers during the Calendar Quarter in question, indicating for each sale the identity of the buyer, the quantities sold, the delivery and payment conditions.

Within twenty (20) days following the end of each Calendar Quarter, the Contractor shall determine, in accordance with the provisions of article 18.2 or article 18.3, whichever relevant, the Market Price applicable to the Calendar Quarter in question, and shall notify the Government of this Market Price, indicating the calculation method and all information used in calculating the Market Price.

Within thirty (30) days following receipt of the notice indicated in previous section, the Government shall verify the accuracy of the calculation of the Market Price and shall notify the Contractor of its acceptance or objections. If the Government fails to notify the Contractor within thirty (30) days, the Market Price indicated in the Contractor's notice in the previous section shall be deemed to be accepted by the Government.

In the event that the Government notifies objections to the Market Price, the Government and Contractor shall meet within fifteen (15) days following notification from Government to reach a mutual agreement on the Market Price. If the Government and Contractor do not reach an agreement on the Market Price applicable to a given Calendar Quarter within seventy-five (75) days following the end of this Quarter, the Government, or the Contractor, may immediately submit the matter to an expert, appointed in accordance with the following section, to determine the Market Price (including the determination of reference Crude Oils if the Government and Contractor have not determined it). The expert shall determine the price within thirty (30) days after the appointment, and his conclusions shall be final and binding upon the Government and Contractor. The expert shall render a decision in accordance with the provisions of this article.

The expert shall be chosen by agreement between the Government and Contractor or, if an agreement cannot be reached, by the International Centre for Technical Expertise of the International Chamber of Commerce (Chambre de Commerce Internationale or "**CCI"**) in accordance with its Expertise Regulations, at the request of the Government or the Contractor to do so. The expert's fees shall be borne by the Contractor and included in the Petroleum Costs.

18.6. In the event that it is necessary to provisionally calculate during a Calendar Quarter the Crude Oil price applicable to quantities lifted during said Calendar Quarter, said price shall be established as follows:

a) for all sales to independent buyers, the price applicable to this sale shall be the price obtained for the Crude Oil for said sale, adjusted to reflect the F.O.B. terms of delivery and the payment terms at thirty (30) days;

b) for all quantities lifted other than those quantities sold to independent buyers, the price applicable to this quantity lifted shall be the Market Price in effect in the previous Calendar Quarter or, if this Market Price has not been determined, a price established by mutual agreement between the Government and Contractor or, in the absence thereof, the last known Market Price.

When the Market Price for a Quarter has been definitively determined, any adjustments shall be made within thirty (30) days after the date of determining the Market Price.

ARTICLE 19: SIGNATURE BONUS

19.1. By way of signing bonus, the Contractor, with the exception of PETROCI, shall pay the amount of one million five-hundred thousand Dollars (US$ 1,500,000) to the competent department of the General Tax Direction of the Republic of Côte d'Ivoire, in accordance with articles 1056 and 1057 of the General Tax Code, within thirty (30) days following the Effective Date.

19.2 The payment indicated in article 19.1 is not recoverable and may not under any circumstances be considered as a Petroleum Cost, but shall be taken into consideration in calculating the tax in accordance with article 17.4.f).

ARTICLE 20: OWNERSHIP AND ABANDONMENT OF ASSETS

20.1. Title to all movable and immovable property acquired by the Contractor within the context of the Petroleum Operations, whether inside or outside of the Delimited Region, shall once per Calendar Year be transferred to the Government when the first of the following events occur:

a) the recovery by the Contractor of all of the corresponding Petroleum Costs; or

b) the waiver of any or all of the Delimited Region; or

c) upon expiration of this Agreement, or

d) upon termination of this Agreement.

The title shall be transferred free of any pledge or guarantee on the assets being transferred.

The provisions set forth in the first section of this article 20.1 shall not be applicable to assets owned by Third Parties or Affiliated Companies that are leased to the Contractor or made available to it within the context of the Petroleum Operations.

20.2. Despite the transfer of title referred to in article 20.1, the Contractor will have priority use of the said movable and immovable assets free of charge, within the framework of this Agreement subject to providing upkeep and maintenance in accordance with the Best Industry Practice of the international petroleum industry.

The Contractor may use said assets for the needs of its Petroleum Operations in the Republic of Côte d'Ivoire governed by other agreements by means of the Government billing a leasing fee, which shall not be greater than the fees billed by Third Parties for similar assets.

20.3. In the event that the assets mentioned in article 20.1 are used as collateral to Third Parties for financing the Petroleum Operations, the title to these assets shall not be transferred to the Government until after the Contractor completely repays the loans guaranteed by them and the guarantees are released. The Parties agree that collateral on loans contracted for financing the Petroleum Operations, before being implemented, must first be approved by the Government.

20.4. The transfer of title to the assets shall be documented in reports signed by the Government and the Contractor. The Contractor shall, every Calendar Year perform an inventory and appraisal of the movable and immovable property owned by the Government to the extent the same is required for insurance purposes.

20.5. If, upon waiver of the Delimited Region by the Contractor, the expiry or termination of this Agreement, the Government decides to not pursue the Petroleum Operations or to not retain the assets transferred to it in accordance with article 20.1, it shall notify the Contractor within no more than one hundred twenty (120) days following the date of written notification to the Government by the Contractor of its decision to waive the Delimited Region. In this case, the Contractor shall then be responsible for performing the abandonment work in accordance with the Best Industry Practice of the international petroleum industry and to remove the facilities, at its expense, corresponding to the abandoned zone that the Government decides to not accept.

20.6. The Contractor is responsible for dismantling and removing the facilities it erected or constructed within the context of its Petroleum Operations. For this purpose, it shall finance the costs related to the abandonment, and shall also remediate the site, in accordance with current pertinent legislation of the Republic of the Cote d'Ivoire and the Best Industry Practice of the international petroleum industry.

20.7. The development and production plan submitted to the Government by the Contractor in accordance with article 11.3.3 shall include a comprehensive abandonment plan (the "**Abandonment Plan**") relative to all developments and facilities in the Production Perimeter required by the Contractor as well as a remediation plan for the sites related to its Petroleum Operations**.**

Said Abandonment Plan shall be updated within the context of the Annual Work Programs and Budget in accordance with article 5, taking into account operational developments and changes in Best Industry Practice of the international petroleum industry.

20.8. In order to finance the cost of the abandonment work, an escrow account shall be established and funded by the Contractor during the production period of the Field, from the time production begins in the Field in question. This escrow account shall be opened and held

in a first class bank in the Republic of Côte d'Ivoire designated by the Contractor and approved by the Government.

As of the month of January following the date of the start in production in the Delimited Region, the Contractor shall deposit, each Calendar Quarter, a provision in the interest-bearing escrow account opened in the name of the Parties.

This escrow account, intended to cover the cost for abandoning the site, shall be jointly managed by the Government and the Operator, and funds may only be withdrawn, in the Parties' mutual agreement, exclusively to finance site abandonment activities approved by the Government.

Furthermore, the Government shall co-sign with the Contractor all requests to withdraw funds from the escrow account.

20.9. The total amount to be deposited in the escrow account shall be equal to the abandonment costs included in the approved development and production plan.

20.10. If the Delimited Region includes more than one Production Perimeter, the amount of the provision shall be subsequently increased in order to reflect the cost of fixed assets for the development of all of the Production Perimeters. Likewise, the total amount shall be adjusted each Calendar Year to reflect the new estimated abandonment costs in accordance with the Work Programme and Budget as approved by the Government.

20.11. The Contractor's annual contribution to the escrow account, hereinafter referred to as "**CACS**," for a given Calendar Year shall be calculated by means of the following formula:

CACS = (MGP - MCPV) PT/VRR where:

MGP is the total amount of the provision established in accordance with articles 20.9 and 20.10 for the given Calendar Year.

MCPV represents the cumulative amount of provisions deposited by the Contractor in the escrow account during prior Calendar Years (taking into account interest and other amounts accruing on deposits in the account),

PT is the Total Production for the Calendar Year in question in the Annual Work Program and the approved Budget, in accordance with article 5.

VRR is the estimated volume of remaining recoverable reserves in the Delimited Region that may be produced during the remaining term of the Agreement.

20.12. For each Calendar Year, and no later than the fifteenth (15 th) day of each Calendar Quarter, the Contractor shall deposit in the escrow account twenty-five percent (25%) of the CACS for that Calendar Year.

20.13. The contributions paid by the Contractor in the escrow account shall be recoverable Petroleum Costs in accordance with articles 16 and 21 of this Agreement.

20.14. All interest or expenses of any type incurred, or other income generated in relation to the escrow account shall be held in said account.

20.15. In the event that the cumulative amount of the escrow account is insufficient to perform the abandonment operations in the Delimited Region, the Contractor shall be required to satisfy the additional charges and expenses necessary to complete said operations within the term specified in the Abandonment Plan.

In the event that the amount of the escrow account is greater than the actual cost for abandoning the site, the balance in this account shall be shared in accordance with the last quantities lifted in accordance with the provisions of article 16.3 or of article 21.3.1, as the case may be.

20.16. If the Government decides that some or all of the facilities are to be returned to it upon expiration of the Agreement for any reason whatsoever, the balance of the escrow account will be transferred in whole or in part, after the financing of the total or partial abandonment, this partial abandonment having to be performed in accordance with the specific elements detailed in the Abandonment Plan, that is required of the Contractor, to the Government which will assume full responsibility for the abandonment of the asset thus delivered.

20.17. The temporary or permanent well abandonment programs shall be submitted at the same time as the drilling programs for said wells. The well abandonment work shall be supervised by the Government, at the expense and under the responsibility of the Operator. The results of the well abandonment work shall be submitted to the Government representative and approved by the latter or its representatives.

Save for the provisions under articles 20.1, 20.5 and 20.16, at the end of the Petroleum Operations, the Contractor shall perform the definitive abandonment work for all wells and all facilities related to the Petroleum Operations.

ARTICLE 21: NATURAL GAS

21.1. Non-associated Natural Gas

21.1.1. In the event of a discovery of Non-associated Natural Gas, the Contractor shall enter into discussions with the Government in order to determine whether the appraisal and production of said discovery is potentially commercial.

21.1.2. If the Contractor, after the above-mentioned discussions, believes that the appraisal of the Non-Associated Natural Gas discovery is justified, it shall undertake the appraisal work program for said discovery, in accordance with the provisions of article 11.

The Contractor shall be entitled, in order to evaluate the commerciability of the Non-Associated Natural Gas discovery, if it so requests at least thirty (30) days before expiration of the third exploration period indicated in article 3.3, to be granted an exclusive appraisal permit in relation to the Appraisal Perimeter of the above-mentioned discovery, for a duration of four (4) years.

Furthermore, the Contractor shall evaluate the possible outlets for the Non-Associated Natural Gas from the discovery in question, both on the local market and for export, as well as the means necessary for sale, and the Parties shall consider the possibility of jointly selling their shares of production in the event that the discovery of Non-Associated Natural Gas is not otherwise commercially producible. For this purpose, a Natural Gas advisory committee shall be established by the Parties to ensure, if appropriate, that it is coordinated and implemented.

21.1.3. After the appraisal work provided for in article 21.1.2, in the event that the Contractor decides to develop and produce this Non-Associated Natural Gas, the Contractor before the end of the appraisal period, shall submit an exclusive production permit application that the Government shall grant under the conditions set forth in article 12.1.

The Contractor shall then have the right and obligation to proceed with development and production of this Non-Associated Natural Gas in accordance with the approved development plan as set forth in article 11.3, and the provisions of this Agreement applicable to Crude Oil

shall apply *mutatis mutandis* to the Non-Associated Natural Gas, subject to the special provisions set forth in article 21.1.

21.1.4. If the Contractor believes that the appraisal of the Non-Associated Natural Gas discovery in question is not justified, the Contractor shall abandon its rights to the area surrounding said discovery, upon expiration of the exclusive exploration permit.

If the Contractor, after the appraisal work, provided for in article 21.1.2 believes that the Non-Associated Natural Gas discovery is not commercial, the Contractor shall abandon its rights to the area surrounding said discovery, either upon expiration of the exclusive exploration permit or upon expiration of the exclusive appraisal permit relative to said discovery, if the same is after the former, unless said area is included in an exclusive production permit prior to this date.

In each case, the Contractor shall lose all rights to the Non-Associated Natural Gas that may be produced from said discovery, and the Government may then perform all appraisal, development, production, processing, transport and marketing work relating to this discovery, or have such work performed, without any consideration given to the Contractor, provided, however, that it does not jeopardise performance of the Petroleum Operations of the Contractor.

If, after the appraisal work performed on a discovery, the Contractor believes that the Non-Associated Natural Gas Field is potentially commercial, but the current commercial outlets do not allow profitable production of said Field, the Contractor may:

a) either request the Government to hold this Field for a period of five (5) years to allow it to research sufficient outlets for profitable production of said Field; this period may be renewed provided that the Contractor justifies its efforts to achieve this objective. After this period ends, the Contractor shall abandon all of its rights to the area surrounding the discovery;

b) or immediately abandon its rights to the area surrounding the discovery.

21.1.5. In order to recover the Petroleum Costs related to the Non-Associated Natural Gas, the Contractor may take, free of charge each Calendar Year, a portion of the production of Non-Associated Natural Gas that under no circumstances may exceed eighty-five percent (85%) of the Total Production of Non-Associated Natural Gas of the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs related to the Non-Associated Natural Gas actually incurred and paid.

If, during a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article exceed the equivalent of eighty-five percent (85%) of value of the Total Production of Non-Associated Natural Gas from the Delimited Region, calculated as indicated above, the balance of the Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the subsequent Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be

added to the Development Expenditures that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 21.1.5

21.2. Associated Natural Gas

21.2.1. In the event of a commercial discovery of Crude Oil, the Contractor shall specify in the report indicated in article 11.3.3 whether the production of Associated Natural Gas (after processing said Associated Natural Gas in order to separate the Hydrocarbons that may be considered as Crude Oil pursuant to articles 16.2 and 16.3) is likely to exceed the quantities necessary for the needs of the Petroleum Operations relating to the production of Crude Oil (including the reinjection operations), and whether it believes that this surplus is likely to be produced in commercial quantities.

In the event that the Contractor has notified the Government of such surplus, the Parties shall jointly evaluate the possible outlets for this surplus Associated Natural Gas, both on the local market and for export (including the possibility of jointly selling their shares of production of this surplus Associated Natural Gas in the event that this surplus is not otherwise commercially producible), as well as the means necessary for sale.

In the event that the Parties agree that the development of the surplus Associated Natural Gas is justified, or in the event that the Contractor wants to develop and produce this surplus for export, the Contractor shall indicate, in the development and production program indicated in article 11.3.3, the additional facilities necessary for the development and production of this surplus and an estimate of the related costs.

The Contractor shall then be entitled to proceed with development and production of this surplus Associated Natural Gas in accordance with the development and production program approved by the Government under the conditions set forth in article 11.3.6, and the provisions of the Agreement applicable to Crude Oil shall apply *mutatis mutandis* to the surplus Associated Natural Gas, subject to the special provisions set forth in article 21.3.

A similar procedure shall be applicable if the sale or the marketing of the Associated Natural Gas is decided mutually by the Parties during production of the Field.

21.2.2. In the event that the Contractor does not consider the production of the surplus Natural Gas to be justified and if the Government, at any time, wishes to use it, the Government shall notify the Contractor to this effect, in which case:

a) The Contractor shall make available to the Government, free of charge, at the exit of the Crude Oil and Natural Gas separation facilities, some or all of the surplus Associated Natural Gas that the Government wants to lift;

b) The Government shall be responsible for collection, processing, compression and transportation of this surplus, from the above-mentioned separation facilities, and shall bear all additional related costs, and

c) The construction of the facilities necessary for the operations indicated in section b) above, as well as lifting of this surplus by the Government, shall be performed in accordance with the Best Industry Practice in the international petroleum industry and

in such a way so as to not disturb production, lifting and transportation of Crude Oil by the Contractor.

21.2.3. Any surplus Associated Natural Gas that is not used within the context of articles 21.2.1 and 21.2.2, shall be reinjected by the Contractor. Nevertheless, the Contractor shall be entitled to burn said gas in accordance with the Best Industry Practice in the international petroleum industry, provided that the Contractor provides the Government with a report showing that this Associated Natural Gas cannot be economically used to improve the recovery rate of Crude Oil by reinjection according to the provisions of article 15.6, and that the Government approves said burning, which approval shall not be refused without a valid reason.

Notwithstanding the above, where the circumstances so require, due to an emergency that may affect the safety of the facilities and persons, and after all remedies provided for by the Best Industry Practice in the international petroleum industry, the Contractor may flare the produced Natural Gas and, as soon as possible, inform the Government. The Contractor shall then remedy the emergency situation and stop flaring the Natural Gas as soon as possible, in accordance with the Best Industry Practice in the international petroleum industry.

21.2.4. In order to recover the Petroleum Costs related to the Associated Natural Gas, the Contractor may take, free of charge each Calendar Year, a portion of the production of Associated Natural Gas that under no circumstances may exceed seventy-five (75%) of the Total Production of Associated Natural Gas from the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs related to the Associated Natural Gas actually incurred and paid.

If, during a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article exceed the equivalent value of seventy-five percent (75%) of the Total Production of Associated Natural Gas from the Delimited Region, calculated as indicated above, the balance of the Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the subsequent Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be added to the Development Expenses that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 21.2.4.

21.3. Provisions common to Associated Natural Gas and Non-Associated Natural Gas.

21.3.1. The quantity of Natural Gas from the Delimited Region remaining during each Calendar Year after the Contractor has taken - from the Total Production of Natural Gas - the portion necessary in order to recover the Petroleum Costs in accordance with the provisions of article 21.1.5 and 21.2.4 hereinafter referred to as "**Remaining Production**," shall be shared between the Government and the Contractor for each portion as follows:

Portions of Total Daily Production (million cubic feet per day, MMCFD)	State's Share of the Remaining Production	Contractor's Share of the Remaining Production
0 to 100 MMCFD	28%	72%
101 to 250 MMCFD	33%	67%
251 to 500 MMCFD	38%	62%
Over 500 MMCFD	43%	57%

For application of this article 21.3, the Total Daily Production of Natural Gas shall be the average rate of the Total Daily Production of Natural Gas measured at the place stated in the approved development plan, by using the measuring tools and procedures in accordance with Best Industry Practice in the international petroleum industry, during the month in question from which, if applicable, the volume of Natural Gas that is required for the Petroleum Operations will be subtracted.

Thus, for a given Total Daily Production, the Contractor shall take the portion necessary for recovery of the Petroleum Costs in each portion of Total Daily Production of Natural Gas defined in the table above before sharing the Remaining Production between the Government and the Contractor according to the rates agreed as above.

For purposes of applying the tax legislation of the Republic of Côte d'Ivoire, the quantity of Natural Gas that the Government shall receive during the course of each Calendar Year, pursuant to article 21.3.1, shall include the portion necessary to pay all tax(es) of the Contractor in the Republic of Côte d'Ivoire that may be imposed on its income. The Government agrees to pay on this portion all income tax(es) in the name and on behalf of the Contractor, and to send the Contractor the official vouchers for these payments as set forth in article 17.6. In order to determine the value of said portion necessary for payment of income tax, the Government shall use the sales price defined in article 21.3.7. The share of Crude Oil made available to the Government representing income tax shall be determined separately and specified in accordance with the provisions of this article.

However, notwithstanding the above, it is agreed that each entity constituting the Contractor may choose to pay directly in cash the tax on its industrial and commercial profits for any given Fiscal Year.

In this case, the tax will be paid by the entity concerned in instalments:

- simultaneously to the payments to be made by PETROCI where PETROCI is responsible for selling the Government share in the Remaining Production; or
- within forty-five (45) days running from the date the Government removed its part in the Remaining Production, in the event that the Government chooses to receive all of its share in kind.

The instalment amounts to be paid, as stated above, will each be equal to the counter value based on the selling price defined in article 21.3.7 below, of the portion the Government received as its share in the Remaining Production, for the payment of the entity concerned.

As soon as the entity in question has paid the required instalment as a result of the above, the Government shall remit to that entity, in compensation, an amount identical to the aforementioned portion that the Government has previously received.

At the end of the Fiscal Year, where the instalment amounts the entity has paid for the Fiscal Year in question is higher or lower than the amount of the tax actually due, an appropriate adjustment will be made either by the entity settling the balance, or by the entity paying the equivalent amount to the Government. No adjustment will occur at the end of the Agreement.

21.3.2. The Government may receive its share of production defined in articles 21.1.5 and 21.2.4, either in cash or kind, in accordance with the provisions in article 21.3.3 and 21.3.4, with the understanding that for budget purposes, fifteen percent (15%) of this share of production shall be allocated to the State's *Fonds d'Actions Pétrolières* [Petroleum Share Fund] and shall not entail any additional charge for the Contractor.

21.3.3. If the Government wants to receive any or all of its share of production defined in article 21.3.1 in kind, the Government shall advise the Contractor to this effect in writing at least three (3) months before the start of each Calendar Quarter, specifying the exact quantity it wishes to receive in kind during said year.

For this purpose, the Contractor shall not sign any commitment to sell the Government's share of production with a term longer than one (1) year without the Government's written consent.

21.3.4. If the Government wishes to receive any or all of its share of production defined in article 21.3.1 in cash or if the Government has not notified the Contractor of its decision to receive its share of production in kind in accordance with article 21.3.3, the Contractor is required to sell the Government's share of production and to pay it, within thirty (30) days after receipt of payment, the amount equal to the quantity corresponding to the Government's share of production multiplied by the sales price defined in article 21.3.7 less the charges incurred by such operation.

21.3.5. In order to encourage the production of Natural Gas, the Government may allow the Contractor special advantages when duly justified, especially with regard to the recovery of Petroleum Costs, production sharing, the bonuses and PETROCI's participating interest, provided that each of these special advantages relates to the production of Natural Gas.

21.3.6. The Contractor shall be entitled to sell its share of production of Natural Gas, in accordance with the provisions of this Agreement. It shall also be entitled to separate liquids of all Natural Gas produced, and to transport, store, and sell on the local market or for export its share of the separated liquid Hydrocarbons, which shall be considered as Crude Oil for the purposes of sharing between the Parties according to article 16.

21.3.7. For the purposes of this Agreement, the price of the Natural Gas, expressed in Dollars per million BTUs, shall be equal to the actual price determined in the Natural Gas sales agreements, said sales specifically excluding:

a) sales in which the buyer is an Affiliated Company of the seller as well as sales between entities comprising the Contractor, and

b) sales entailing compensation other than payment in freely convertible currency and sales motivated, in whole or in part, by considerations other than economic incentives that are usual in sales of Natural Gas.

For the sales indicated in sections a) and b) above, the price of the Natural Gas shall be determined by mutual agreement between the Government and the Contractor, or between the Contractor and a Third Party based upon the market price at the time of said sales of a substitute fuel for Natural Gas.

21.3.8. In the event that the Contractor wishes to separate from the Natural Gas some or all of the liquid Hydrocarbons according to procedures it determines, the Natural Gas shall be measured after the Contractor separates the liquid Hydrocarbons from the Natural Gas.

ARTICLE 22: PETROCI'S PARTICIPATING INTEREST

22.1. As a result of work previously performed in the Delimited Region, PETROCI, as of the Effective Date, is associated with the entities comprising the Contractor, to share in the Petroleum Operations, at a rate of ten percent (10%) (hereinafter referred to as "**Initial Participating Interest**").

PETROCI, pursuant to and *pro rata* to its Participating Interest, benefits from the same rights and is subject to the same obligations as those of the Contractor defined in this Agreement, subject to the provisions of this article.

22.2. Within the context of the policy of promoting the petroleum industry in the Republic of Côte d'Ivoire defined by the Government, PETROCI shall have the option to increase, within a Production Perimeter, the rate of its participating interest, in accordance with the following provisions:

a) PETROCI shall be entitled to obtain an additional participating interest (hereinafter referred to as "Additional Participating Interest") of two percent (2%) which the Operator cannot refuse.

b) Within four (4) months from the date of granting an exclusive production permit, PETROCI shall notify the other entities comprising the Contractor of its desire to exercise its option to increase its Participating Interest relative to the related Production Perimeter, specifying the percentage of its Additional Participating Interest for said Production Perimeter. If it does not make said notification within four (4) months, PETROCI's participating interest for this Production Perimeter shall remain the same as its Initial Participating Interest.

c) The Additional Participating Interest shall become effective, for the Production Perimeter in question, from the date of notification indicated in article 22.2.b) above.

d) Upon receipt of the written notification from PETROCI, all of the entities comprising the Contractor other than PETROCI shall transfer to PETROCI, immediately and jointly, each *pro rata* to its Participating Interest at that time, a percentage of their participating interest in the Production Perimeter in question, the total of which shall be equal to the percentage of the Additional Participating Interest of PETROCI.

e) As of the date of its Additional Participating Interest, or in the absence of the notification indicated in article 22.2.b), PETROCI:

- shall participate, *pro rata* to its Additional Participating Interest, in the Petroleum Costs relating to the corresponding Production Perimeter, with regard to the relevant exclusive production permit;
- If the permit in question is the first exclusive production permit, as indicated in article 22.2.g) PETROCI shall reimburse the other entities comprising the Contractor the percentage of its Additional Participating Interest in the Petroleum Costs not yet recovered, incurred from the Effective Date up to the date of notification of its Additional Participating Interest, and
- For each subsequent exclusive production permit, as indicated in article 22.2.g), PETROCI shall reimburse the other entities comprising the Contractor the percentage of its Additional Participating Interest in the Petroleum Costs relating to the new Production Perimeter not yet recovered, incurred from the date of notification of the Additional Participating Interest relating to the previous exclusive production permit up to the date of notification of the Additional Participating Interest for the new exclusive production permit.

f) Taking into account the previous work already undertaken in the Delimited Region, PETROCI's Initial Participating Interest shall entail for PETROCI, throughout the duration of this Agreement, neither the financing nor the reimbursement of its share of the Petroleum Costs, which Petroleum Costs are borne and recoverable by the other entities comprising the Contractor, in accordance with articles 16.2, 21.1.5 and 21.2.4, each *pro rata* to its Participating Interest.

Furthermore, PETROCI's Additional Participating Interest shall entail for PETROCI neither a share nor reimbursement *pro rata* to its Additional Participating Interest of the expenses and costs related to carrying its Initial Participating Interest.

g) As indicated in article 22.2.e) PETROCI shall reimburse the other entities comprising the Contractor the amounts due for its Participating Interest, as follows, at PETROCI's option:

- either within six (6) months from the date of notification of the increase in its Participating Interest, by payments in Dollars or through payments in Crude Oil appraised in accordance with the provisions of article 18;
- or in kind, by way of withholding, by the other entities constituting the Contractor, taking a portion of PETROCI's share of Hydrocarbons under Articles 16.3 and 21.3, at a rate of fifty percent (50%) of said share, the value of this portion being calculated in accordance with the provisions of article 18, until the value of these withholdings taken is equal to the remaining balance due plus interest as indicated below. The balance of the remaining amount due upon expiration of the period of six (6) months as indicated above shall accrue interest, from this date until the date of reimbursement, at the annual LIBOR (London Interbank Offered Rate) for Dollar deposits at six (6) months as published electronically by ICE Benchmark Administration Limited for the last business day prior to the date of payment plus one percentage (1) point, compounded annually.

In the event that PETROCI sells all or part of its interest arising from its Additional Participation to a company other than a State-controlled company or body, subject to the association agreement between the entities constituting the Contractor, in accordance with Article 22.3.e), the above

reimbursement will be made in Dollars, within the three (3) months following the actual completion of the sale.

22.3.

a) PETROCI shall not be required to contribute, *pro rata* to its Initial Participating Interest or Additional Participating Interest, to the payment of the bonus defined in article 19 and the budgets defined in article 30, which are payable in full by the other entities comprising the Contractor.

a) The association of PETROCI with the Contractor may not under any circumstances cancel or affect the rights of the other entities comprising the Contractor to use the arbitration clause set forth in article 32, which is not applicable to disputes between the Government and PETROCI but only to disputes between the Government and the other entities comprising the Contractor.

b) PETROCI, on the one hand, and the other entities comprising the Contractor, on the other hand, shall not be jointly and severally liable for the obligations derived from this Agreement, as set forth in article 34. PETROCI shall be individually liable with respect to the Government for its obligations pursuant to this Agreement.

c) Any failure by PETROCI to perform any of its obligations shall not be considered as a breach by the other entities comprising the Contractor, and may not under any circumstances be used by the Government to terminate this Agreement, in accordance with article 37.4, or to initiate the procedure set forth in article 37.3.

d) PETROCI may at any time assign to a company of its choice, controlled by the State, any or all of the rights and obligations derived from the Additional Participating Interest indicated in this article.

22.4. The conditions for PETROCI's Participating Interest and the relations between the entities comprising the Contractor are determined in a Partnership Agreement that shall become effective as of the Effective Date.

ARTICLE 23: FOREIGN EXCHANGE CONTROL

23.1. The Contractor shall be subject to the foreign exchange control regulations of the Republic of Côte d'Ivoire, subject to the provisions of this article.

23.2. The Contractor shall be entitled to retain abroad all currencies from the export sales of Hydrocarbons allocated to it by this Agreement, or transfers, as well as its own equity, loan proceeds and, in general all assets it acquires abroad, and to freely dispose of these foreign currencies or assets to the extent that they exceed the needs of its operations in the Republic of Côte d'Ivoire.

23.3. No restriction shall be imposed on loans abroad and the importation of funds by the Contractor intended for the performance of the Petroleum Operations.

23.4. The Contractor shall be entitled to purchase Ivoirian currency with foreign currencies, and to freely convert to the foreign currencies of its choice all funds it holds in the Republic of

Côte d'Ivoire that exceed its local needs, at exchange rates that shall not be less favourable than those generally applicable to any other buyer or seller of foreign currencies.

23.5. The Contractor shall be entitled to pay directly abroad its suppliers not domiciled in the Republic of Côte d'Ivoire for goods and services that are necessary to perform the Petroleum Operations.

23.6. The provisions of this article 23 apply to the Contractors' subcontractors incorporated abroad as well as their expatriate employees.

23.7. The expatriate employees of the Contractor, or any of its agents, contractors and subcontractors shall be entitled to freely send abroad a portion of their salaries paid in the Republic of Côte d'Ivoire and any investment income earned on these salaries.

ARTICLE 24: CURRENCY UNIT USED FOR BOOKKEEPING

24.1. The accounting records and books relating to this Agreement shall be kept in French and denominated in Dollars. These accounts shall be used in order to determine the amount of Petroleum Costs, gross income, production expenses, net earnings and for preparation of the income declarations of the Contractor; they shall also include the accounts of the Contractor showing the sales of Hydrocarbons pursuant to this Agreement.

For information purposes, the accounts and balance sheets shall also be kept in CFA francs.

24.2. Whenever it is necessary to convert to Dollars the expenses and income denominated in another currency, the exchange rages used shall be equal to the arithmetic average of the daily closing purchase and sale rate for said currency during the month in which the expenses were paid and the income received provided that if the Contractor actually buys or sells a currency using another currency, the Contractor will use the effective exchange rate for the accounting records and books.

In the event of official devaluation or revaluation during a given month, two (2) arithmetic averages shall be applied, the first calculated based upon daily closing purchase and sale rate for the period from the first day of the month up to and including the day of such devaluation or revaluation, the second calculated based upon daily closing purchase and sale rate for the period from the day of such devaluation or revaluation, not inclusive, up to the last day of the month in question.

The exchange rate to be applied for the devaluations indicated in this article shall be the rates published on the Paris exchange market or, in the absence thereof, the rates published by Citibank N.A., New York.

24.3. The original accounting records and books indicated in article 24.1 shall be kept in the Republic of Côte d'Ivoire.

The accounting records and books shall be justified by detailed receipts for revenues and Petroleum Costs.

ARTICLE 25: ACCOUNTING METHOD AND VERIFICATIONS

25.1. The Contractor shall maintain its accounting records and books in accordance with current legislation applicable in the Republic of Côte d'Ivoire and the provisions of the Accounting Procedure indicated in appendix 2 attached hereto, which is an integral part of this Agreement.

25.2. The Government, after informing the Contractor in writing with notice of thirty (30) days, shall be entitled to inspect, examine and verify, through its own agents or by experts of its choice, the accounting records and books related to the Petroleum Operations, and shall have a term of four (4) Calendar Years following the end of each Calendar Year to perform the inspections, examinations or verifications for said Calendar Year and to submit to the Contractor its objections regarding all contradictions or errors detected during the inspections, examinations or verifications.

If the Government fails to submit a claim within the four (4) Calendar Years indicated above, no objection or claim from the Government for the Calendar Year in question shall be allowed.

25.3. At the end of the audit, the Government shall notify the Contractor of the preliminary audit report which shall mention all the points that do not comply with the Agreement. The Contractor then has fifty (50) days from the date of the Government's notice to provide the necessary supporting documents for the preliminary audit reportand, if necessary, the Contractor may obtain additional time that will not exceed thirty (30) days.

At the end of this process, the factors that do not comply with the Agreement and that are retained in the final audit report, will be the subject to accounting adjustments by the Contractor or rectifications, adjustments, or modifications by the Contractor.

<u>ARTICLE 26:</u> IMPORT AND EXPORT

26.1. a) The Contractor shall, in accordance with article 17.7, be entitled to import into the Republic of Côte d'Ivoire, on its behalf and on behalf of its subcontractors, all technical equipment, materials, equipment, machines and tools, devices, automotive vehicles, aircraft, spare parts and consumables, office and computer supplies and equipment, goods and supplies, necessary for the Petroleum Operations.

b) The Contractor shall also be entitled to import into the Republic of Côte d'Ivoire, on its behalf and on behalf of its subcontractors, the furnishings, clothing, household appliances and personal effects of all foreign employees and their family members, assigned to work in the Republic of Côte d'Ivoire on behalf of the Contractor or its subcontractors.

c) Nevertheless, the Contractor and its subcontractors agree to only import the goods indicated in article 26.1.a) insofar as said are not available in the Republic of Côte d'Ivoire at similar quantity, quality, price, payment terms and conditions, subject to special technical requirements or urgency presented by the Contractor, its agents, contractors or its subcontractors.

d) The Contractor, its agents, contractors and subcontractors, shall be entitled to re-export from the Republic of Côte d'Ivoire, free of all duties and taxes, at any time, all items imported according to articles 26.1 a) and 26.1 b) that are no longer necessary for the Petroleum Operations in accordance with the provisions of article 20.

26.2. All of the imports indicated in article 26.1 that the Contractor, its agents, contractors and subcontractors, their foreign employees and their family members are entitled to perform in one or more shipments to the Republic of Côte d'Ivoire, shall be fully exempt from all duties and taxes payable at entry.

The applicable administrative formalities, accordingly, shall be those of the following systems:

a) Exceptional temporary admission system, suspending all entry duties and taxes for the materials, equipment, machines and tools, automotive vehicles, goods and supplies necessary for proper performance of the Petroleum Operations, throughout the duration of use in the Republic of Côte d'Ivoire, including the continental shelf, with the understanding that for the materials, equipment, machines and tools, automotive vehicles, goods and supplies consumed during the Petroleum Operations or left on site, clearance of the Exceptional temporary admission shall be automatic upon a simple quarterly declaration and without paying duties and taxes.

In the event of duly justified urgency, the materials, equipment, machines and tools, automotive vehicles, goods and supplies shall be made available to users upon their arrival in the Republic of Côte d'Ivoire, with the administrative formalities relating to their admission being performed thereafter, as soon as possible.

b) Bunkering regime, for consumable products and goods, fuels and lubricants used offshore, especially on vessels, aircraft and oil exploration and production equipment.

c) Duty-free admission according to current legislation in the Republic of Côte d'Ivoire, for furnishings, clothing, household appliances and personal effects.

26.3. Articles other than those indicated in article 26.1 shall be subject to the ordinary laws of the Republic of Côte d'Ivoire.

26.4. The Contractor, its agents, contractors and subcontractors shall be entitled to sell in the Republic of Côte d'Ivoire, subject to notifying the Government in advance of their intent to sell and subject to the provisions of article 20, all equipment, materials, machines and tools, devices, automotive vehicles, spare parts and consumables, office and computer supplies and equipment, goods and supplies that they imported if they are considered to be surplus or are no longer necessary for the Petroleum Operations. In this case, the seller shall be required to pay all applicable duties and taxes as of the date of the transaction and to perform all formalities required by current legislation in the Republic of Côte d'Ivoire.

The Government shall have the preferential right to purchase all of the items listed above at prices and conditions equal to those accepted by Third Parties. This right shall be exercised within a term not exceeding the term accepted by said Third Parties for executing the purchase.

26.5. The Contractor, its clients and their shippers, throughout the term of validity of this Agreement, shall be entitled to freely export, at the point of export selected for this purpose, free of all duties and taxes payable at exit, at any time, the portion of Hydrocarbons to which the Contractor is entitled by virtue of the provisions in articles 16 and 21 of this Agreement.

26.6. All imports and exports made pursuant to this Agreement shall be subject to the formalities and documentation required by the customs authorities, but shall not entail any payment of entry

or exit duties and taxes, subject to the provisions of article 26.3, according to the regime for which the Contractor is eligible pursuant to the provisions of this Agreement.

ARTICLE 27: MAKING CRUDE OIL PRODUCTION AVAILABLE TO MEET NATIONAL DEMAND

27.1. Each Calendar Year, up to a total of ten percent (10%) of the share of Crude Oil production corresponding to the Contractor pursuant to the articles 16.2 and 16.3, shall be sold to PETROCI by the Contractor in order to meet the demand of the domestic market of the Republic of Côte d'Ivoire. Similarly, the Contractor will sell to PETROCI a total of up to ten percent (10%) of the Contractor's share of Natural Gas production under Articles 21.1.5, 21.2.4 and 21.3.1 to meet the needs of Republic of Côte d'Ivoire's internal market.

The contribution of the Contractor shall be proportional to its share of production, as defined in articles 16.2, 16.3, 21.1.5, 21.2.4 and 21.3.1, in relation to the total production of Crude Oil and Natural Gas in the Republic of Côte d'Ivoire.

The quantity of Crude Oil and Natural Gas that the Contractor shall be required to sell to PETROCI shall be notified to it by PETROCI at least three (3) months before the start of each Calendar Quarter.

27.2. The price of the Crude Oil sold to PETROCI under article 27.1 to meet the demand of the domestic market shall be equal to seventy-five percent (75%) of the Market Price defined in article 18.

The price of the Natural Gas sold to PETROCI under article 27.1 to meet the demand of the domestic market shall be equal to seventy-five percent (75%) of the Market Price defined in article 21.3.7.

The twenty-five percent (25%) allowance on the price of the Crude Oil and that of the Natural Gas sold to PETROCI to meet domestic demand shall be deemed to be Petroleum Costs and recoverable in accordance with article 16.2, 21.1.5 and 21.2.4.

27.3. The price of this Crude Oil and Natural Gas shall be payable to the Contractor, in CFA francs, two (2) months after receipt of the invoice, unless otherwise agreed between the Parties.

For the purpose of converting the Dollars into CFA francs, PETROCI will use the exchange rate specified according to the procedure provided in article 24.2.

ARTICLE 28: TRANSFER OF TITLE TO THE HYDROCARBONS AND LIFTING

28.1. The transfer of title and risks to the share of production of Hydrocarbons corresponding to each Party shall occur at the Point Of Delivery of the Natural Gas or at the Point of Transfer of the Crude Oil.

The Contractor shall not become the owner of the Hydrocarbons before this Point of Transfer of the Natural Gas or Crude Oil but it shall contract all insurance necessary in order to cover

any damage, loss or liability that may occur before the Point of Transfer of the Natural Gas or Crude Oil caused by the Contractor, its agents and its subcontractors.

28.2. The Government and the Contractor shall have the right and obligation, subject to the provisions of articles 16, 21 and 27.1, to lift and control the share of Hydrocarbons corresponding to it pursuant to this Agreement.

This share shall be lifted on as regular a basis as possible, with the understanding that each of the Parties, within reasonable limits, shall be authorised to lift more (overlift) or less (underlift) than its share of Hydrocarbons produced and not lifted on the day of lifting, provided that this overlift or underlift does not affect the rights of the other Parties and that it is compatible with the production rates and storage capacity.

In establishing the order of lifting, priority shall be given to the Party with the greatest quantity of Hydrocarbons produced and not lifted at a given time.

The Parties shall periodically meet to establish a provisional lifting program based upon the principles described above, taking into account the wishes of the Parties with regard to the dates and quantities of their liftings, insofar as their wishes are compatible with these principles.

Before the start of production in the Delimited Region, the Parties shall enter into a lifting agreement consistent with the principles expressed in this article.

ARTICLE 29: PROTECTION OF RIGHTS

29.1 The Contractor shall take all reasonable measures necessary to perform its obligations pursuant to this Agreement. It shall be held liable in accordance with the applicable laws and regulations of the Republic of Côte d'Ivoire with respect to any damage or loss which the Contractor, its employees, contractors, subcontractors or agents and their employees may cause to Third Parties, to the property or rights of other persons, due to or as a result of the Petroleum Operations.

29.2. The Government shall take all reasonable measures to facilitate the implementation by the Contractor of the objectives of this Agreement and protect the Contractor, the Contractor's assets and operations, and its employees and subcontractors in the Republic of Côte d'Ivoire.

29.3. Upon a duly justified request from the Contractor, the Government shall prohibit the construction of residential or commercial buildings near the facilities that the Contractor may declare to be hazardous as a result of its operations. It shall take the necessary precautions to prohibit mooring near pipelines submerged under river crossings, and to prohibit all interference with the use of any other facility necessary for the Petroleum Operations, both onshore and offshore.

29.4. The Contractor shall carry, and ensure that its contractors and subcontractors carry, for the Petroleum Operations, all insurance in the type and amounts in customary use in the international petroleum industry, especially third party liability insurance and insurance covering damage to the property, facilities, equipment and materials, notwithstanding other insurance that may be required according to Ivoirian legislation.

The Contractor shall provide the Government with proof of carrying the insurance indicated above. The insurance must be contracted from highly regarded insurance companies.

29.5. In the event that the Government may be held liable due to or as a result of the Petroleum Operations, the Contractor shall indemnify and hold the Government harmless from any claim, loss or damage whatsoever caused by or as a result of the Petroleum Operations to the extent that it is finally determined pursuant to applicable law, provided that said claims, losses or damage are not due in whole or in part to an action by the Government.

ARTICLE 30: PERSONNEL, TRAINING, EQUIPMENT AND SOCIAL WORK

30.1. The Contractor, for performing the Petroleum Operations, shall give priority to employing domestic labour from the Republic of Côte d'Ivoire, in accordance with the provisions after this article 30.1.

Non-Ivorian directors, technicians, engineers, accountants, geologists, geophysicists, scientists, chemists, drillers, foremen, mechanics, skilled labourers, secretaries and supervisors may only be hired by the Contractor outside of the Republic of Côte d'Ivoire if Ivoirian specialists with the same qualifications cannot be hired within the country or abroad, transferred from PETROCI or the petroleum administration.

Within ninety (90) days of the granting of an exclusive production permit, the Contractor shall submit a plan for the "Ivoirization" of its personnel to the Government for approval, and which shall be financed by the Contractor once approved.

For this purpose, the Contractor shall employ at least seventy percent (70%) of Ivoirian personnel no later than the anniversary date of the start of commercial production, at least eighty (80%) three (3) years after the start of commercial production, and at least ninety (90%) five (5) years after the start of commercial production.

If one of these objectives is not met, the Government may require the Contractor, excluding PETROCI, to establish a training program in order to achieve the targets stipulated above. Said training program shall be allocated an annual amount of not less than five hundred thousand Dollars (US$ 500,000), not recoverable as Petroleum Costs, and shall be submitted to the Government for approval.

30.2. Furthermore, the Contractor, excluding PETROCI, as of the Effective Date, shall fund a training program for the Ivoirian nationals. Said program shall cover all of the Petroleum Operations, from exploration through production, especially including but not limited to preparatory studies for the installation and performance of work (such as the geophysical campaign, drilling, production tests, development of a field) and the negotiation of contracts.

For the purposes of this article 30.2, "Ivorian nationals" means the Ivorian administration personnel in charge of hydrocarbons, the scholarship students of the ministry that is responsible for Hydrocarbons and PETROCI personnel.

For this purpose, the Contractor, excluding PETROCI, shall pay the Government a minimum annual training budget of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

No more than fifteen percent (15%) of the training budget shall be allocated to the executive management responsible for Hydrocarbons and the cabinet office of the ministry that is responsible for Hydrocarbons, for the participation by their staff in domestic or international conferences, seminars and missions (as well as their participation in their organisation) and for the carrying out of studies, in relation to the missions of the ministry that is responsible for Hydrocarbons.

30.3. The Contractor, except for PETROCI, agrees to pay the Government an annual budget for performing social works such as the construction of health care infrastructure (medical clinics, dispensaries, hospitals, health care centres, medical equipment or materials, etc.), educational infrastructure and social initiatives, for a minimum amount of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

30.4. The Contractor, except for PETROCI, also agrees to pay the Government an annual budget for the purchase, by the Government, of equipment, material, consumables and services, in a minimum annual amount of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

The annual equipment budget is aimed primarily at petroleum administration equipment and that of the ministry responsible for Hydrocarbons.

No more than fifteen percent (15%) of the training budget shall be allocated to the executive management responsible for Hydrocarbons and the cabinet office of the ministry that is responsible for Hydrocarbons, for the participation by their staff in domestic or international conferences, seminars and missions (as well as their participation in their organisation) and for the carrying out of studies, in relation to the missions of the ministry that is responsible for Hydrocarbons.

30.5. For the purposes of applying articles 30.2, 30.3 and 30.4, the Operator shall fund, from the first two weeks of each Calendar Year and for the first exploration period, no later than two (2) months after the date this Agreement is signed, the annual training, social welfare and equipment budgets, upon the Government Representative's written request including the details of the financing or expenses. The three (3) training, equipment and social welfare budgets are due in full for each Contractual Year including the years in which this Agreement was signed and terminated.

The training expenses and those related to social works and equipment and materials borne by the Contractor, other than PETROCI, will be treated as recoverable Petroleum Costs.

The unused annual training, equipment and social works budgets are carried forward to the next Calendar Year. At the end of each exploration period, the Operator shall, following instructions from the Government, transfer all the balances of the budgets to accounts designated for this purpose.

30.6 Foreign personnel employed by the Contractor, its agents and its subcontractors for the Petroleum Operations shall be authorised to enter the Republic of Côte d'Ivoire. The Government shall facilitate issuance of the administrative documents necessary for said personnel and their family members to enter and stay in the Republic of Côte d'Ivoire.

30.7. All employees required for conducting the Petroleum Operations shall be under the authority of the Contractor or its agents, contractors and subcontractors, in their capacity as employers. Their work, number of hours, wages, and all other conditions of their employment shall be determined by the Contractor or its agents, contractors and subcontractors, in accordance with legislation in force in the Republic of Côte d'Ivoire and the Best Industry Practice in the international petroleum industry. The Contractor, however, shall be free to select and assign its personnel, subject to the provisions of article 30.1.

ARTICLE 31: ACTIVITY REPORTS RELATED TO EXCLUSIVE PRODUCTION PERMITS

31.1. The provisions of article 11 shall apply, *mutatis mutandis,* to exclusive production permits. Furthermore, the following periodic activity reports shall be provided to the Government for each Field:

a) daily production reports, and

b) monthly reports indicating the quantities of Hydrocarbons produced and sold during the past month and the information on these sales in accordance with article 18.5.

Unless the Contractor consents in writing, the information on a Production Perimeter, with the exception of activity statistics, shall, in accordance with article 8.4 above, be considered by the Parties to be confidential throughout the duration of this Agreement.

31.2. The Contractor shall notify the Government as soon as possible of any significant damage of any type to the oil fields or facilities, and shall take all reasonable measures necessary to resolve it and make the necessary repairs.

31.3. As of the date of granting an exclusive production permit, the annual reports indicated in article 8.2 shall also contain the following:

a) information on all development and production operations performed during the past Calendar Year, including the quantities of Hydrocarbons produced and sold, if applicable;

b) information on all transportation operations and sales, as well as the location of the principal facilities constructed by the Contractor, if applicable, and

c) a statement indicating the number of employees and operations, with their qualifications, nationality, their given name and surnames, their number and employment start date.

ARTICLE 32: ARBITRATION

32.1. In the event of a dispute between the Government and the Contractor regarding or arising from this Agreement, the Parties shall endeavour to resolve this dispute amicably.

If, within ninety (90) days from the date of notification from one Party to the other of the dispute, the Parties are unable to resolve the dispute, it shall be submitted, at the request of the first Party to do so, to an arbitration procedure made up of three (3) arbitrators, in accordance with the applicable Arbitration Rules of the ICC.

No arbitrator shall be a national of the countries of origin of the Parties.

32.2. The place of arbitration shall be Paris (France). The language used in the proceedings shall be French, and the applicable law shall be Ivoirian law and in accordance with Best Industry Practice.

The award issued by the arbitral tribunal shall be definitive, binding upon the Parties and immediately enforceable.

The Parties formally and without reservation waive any right to attack such award, to impede its recognition and its execution by any means whatsoever.

32.3. The arbitration expenses shall be paid by the Parties according to ICC rules.

Performance by the Parties of their obligations arising out of this Agreement shall not be suspended during the period of arbitration.

32.4. The parties agree that this article will remain effective after the end of this Agreement.

ARTICLE 33: FORCE MAJEURE

33.1. No delay or failure by one Party in performing any of the obligations arising out of this Agreement shall be considered as a breach of said Agreement if this delay or failure is due to an event of Force Majeure.

33.2. In accordance with the terms of this Agreement, "**Force Majeure**" means any unforeseeable, unavoidable event that is beyond the control of a Party, which impedes, delays or prevents that Party from fulfilling its obligations under this Agreement and includes but is not limited to earthquakes, floods, accidents, strikes, lock-outs, riots, delays in obtaining rights of way, insurrections, civil disorder, sabotage, acts of war or circumstances attributable to war, acts of terrorism or any other cause beyond its control, similar to or different than those mentioned above.

In the event of a conflict in interpretation or an event of Force Majeure not listed above, the term "Force Majeure" shall be interpreted as closely as possible according to the principles and practices in the international petroleum industry, as well as the law of the Agreement.

If, following an event of Force Majeure, the performance of any of the obligations of this Agreement is deferred, the duration of the resulting delay, extended by the time that may be necessary to overcome the Force Majeure and to resume the Petroleum Operations, shall be added to the term indicated in this Agreement for performing said obligation, and the exclusive exploration,appraisal or production permits shall be protected accordingly with respect to the region affected by the Force Majeure.

33.3. When one Party believes that it is prevented from performing any of its obligations due to an event of Force Majeure, it must immediately notify the other Party, specifying the information such as to establish the Force Majeure, and shall take, in agreement with the other Party, all useful, necessary and reasonable steps to allow it to resume normal performance of the obligations affected upon cessation of the event constituting Force Majeure.

The obligations other than those affected by the Force Majeure shall continue to be performed in accordance with the provisions of this Agreement.

33.4. If a situation of Force Majeure continues for a period of twelve (12) months from the date of notice in accordance with article 33.3, the Contractor may, upon at least ninety (90) days written notice to the Government, terminate the Agreement.

ARTICLE 34: JOINT AND SEVERAL OBLIGATIONS AND WARRANTIES

34.1. All clauses, conditions and provisions of this Agreement shall be mandatory for the Parties and their respective successors and assigns. This Agreement constitutes the entire agreement between the Parties and no prior communication, promise or agreement, whether verbal or written, between the Parties relative to the subject of this Agreement may be invoked in order to amend the clauses hereof.

The Government certifies and warrants that there is no other agreement in effect concerning the petroleum rights of the Delimited Region, that it shall correctly and faithfully discharge its obligations, and this Agreement shall not be cancelled, amended or changed without the approval of the Parties.

34.2. Save for the contrary provisions in article 22.3.c), when the Contractor is composed of several entities, the obligations and liability of such entities by virtue of this Agreement shall be joint and several, it being understood that the Contractor shall not be jointly and severally liable for the income tax set forth in article 17.

34.3. The entities constituting the Contractor, its parent company or Affiliated Companies specficially BP Explorating Operating Company and Kosmos Energy Operating shall submit to the Government, for approval, within sixty (60) days running from the Effective Date an undertaking guaranteeing proper performance under the terms of the proper performance undertaking contained in Appendix 4.

ARTICLE 35: ASSIGNMENT RIGHTS

35.1. Subject to the written consent of the Government, which shall not be unreasonably withheld, with the exception of the provisions of article 22.3.e), the rights and obligations arising out of this Agreement may be assigned by any of the entities comprising the Contractor, in whole or in part, to Third Parties with a well-established technical and financial reputation.

The said Third Party assignees shall, together with the other entities that constitute the Contractor be jointly and severally liable for the obligations arising out of this Agreement.
The conditions for all assignments and for joint and several ownership shall be approved in advance by the Government.

If, within sixty (60) days following notification to the Government of a planned assignment, accompanied by all related information, and a draft of the assignment instrument, it has not notified its decision, this assignment shall be deemed to be approved by the Government.

As of the date of approval of an assignment, the assignee shall be bound by the terms and conditions of this Agreement, and in the event of full assignment, the assignor will no longer be bound by the terms and conditions of this Agreement.
Every assignment of rights or interests to Third Parties is subject to the payment of a transfer fee that is set in accordance with the law in force in the Republic of Côte d'Ivoire.

The fees that are fixed for this purpose, in accordance with article 17.7, will be borne by the assignee who must pay them within thirty (30) days following the date on which the transfer was approved.

35.2. Save for the provisions in article 22.3.e), the joint and several rights and obligations arising out of this Agreement may be freely assigned at any time, in whole or in part, by any of the entities comprising the Contractor to one or more Affiliated Companies, or to the other entities comprising the Contractor.

The Contractor shall notify the Government of said assignments before the effective date thereof and, if applicable, the provisions of article 34.2 shall be applicable.

35.3. The assignments made in violation of the provisions of this article are null and void.

ARTICLE 36: APPLICABLE LAW AND STABILITY OF CONDITIONS

36.1. The laws and regulations in effect in the Republic of Côte d'Ivoire and Best Industry Practice shall be applicable at all times to the Contractor, this Agreement and the operations it covers.

36.2. This Agreement is entered into by the Parties in accordance with the laws and regulations in effect at the time of execution and in relation to the provisions of said laws and regulations, especially with regard to its economic, tax and financial provisions.

As a result, in the event that (i) subsequent laws and regulations modify the provisions of laws and regulations in effect at the time of executing this Agreement or (ii) there is a change in the interpretation or application of any law, decree or regulation in the Republic of Côte d'Ivoire by a judicial, arbitral or administrative authority, and such modifications or changes entail a material change in the respective economic situation of Parties according to the current provisions of said Agreement, the Parties shall use their best endeavours to reach in good faith an agreement to change such provisions as necessary so as to re-establish the economic equilibrium of the Agreement as established at the time of execution of this Agreement. This provision applies mutatis mutandis to any case involving an international binding instrument applicable in the Republic of Côte d'Ivoire.

If, despite their efforts, the Parties cannot reach an agreement, the provisions of article 32 above may be applied.

36.3. The Parties agree that (i) the Petroleum Code establishes a special regime for oil companies and (ii) the Contractor may conduct the Petroleum Operations in accordance with Article 8 of the Petroleum Code.

ARTICLE 37: PERFORMANCE OF THE AGREEMENT

37.1. The Parties agree to cooperate in all manners possible in order to achieve the objectives of this Agreement.

For this purpose, a coordination committee ("**Coordination Committee**") composed of the Government, PETROCI and the Operator will be set up. This Coordination Committee will meet at least one (1) time during the Calendar Year and whenever necessary upon the justified request by one (1) of its members. The proposed agenda must accompany this request.

The Coordination Committee shall be chaired by the Government.

The Coordination Committee shall be a framework for information of the Government, by the Operator on the budgets, programs and performance of work and contractual obligations in the Delimited Region.

The Government shall facilitate the performance of activities by the Contractor by granting it all permits, licenses and rights necessary to perform the Petroleum Operations, and by making available to it all appropriate services and facilities, so that the Parties may get the most profit out of genuine cooperation. Nevertheless, the Contractor is required to comply with applicable procedures and formalities of the appropriate government departments.

37.2. All notifications or other communications referring to this Agreement shall be made in writing and shall be addressed to an authorised representative of the Party in question at the principal place of business in the Republic of Côte d'Ivoire of said Party by:

a) prepaid registered letter,
b) cable or telegram
c) telex or fax with acknowledgement of receipt, or
d) hand delivery with signed receipt.

Notifications shall be considered to be made on the date of receipt by the addressee.

37.3. If the Government believes that the Contractor has breached any of its obligations under this Agreement, it shall notify the Contractor to this effect in writing and the Contractor shall have sixty (60) days to remedy or submit the issue to arbitration in accordance with the provisions of article 32 of this Agreement.

37.4. Breach by the Contractor with regard to observing the provisions of this Agreement may result in termination of this Agreement by the Government, after notifying Contractor in accordance with the provisions of article 37.3, with the understanding that such termination shall not be declared if the Contractor has begun to remedy the breach after notifying the Government of the measures taken for this purpose or if the issue is submitted to arbitration in accordance with the provisions of article 32.

In the event of bankruptcy entailing liquidation of one of the entities comprising the Contractor, the rights of said entity pursuant to this Agreement shall immediately lapse and the other entities comprising the Contractor may assume the percentage of said entity's share in accordance with the joint venture agreement, and its obligations pursuant to this Agreement. In the event that the entity in liquidation is the Operator, the Government may terminate this Agreement if the new Operator appointed by the other entities which compose the Contractor does not fulfil the technical and financial capacities.
The termination of this Agreement shall not release the Contractor from its obligations created before or at the time of the termination.

37.5. The terms and conditions of this Agreement may only be amended if done in writing and by mutual agreement between the Parties.

37.6. Unless otherwise arranged or decided in writing, the Government will be represented by the Director General of Hydrocarbons in accordance with the terms of this Agreement. In this regard, the Director General of Hydrocarbons shall give, in the name and on behalf of the Government, all consents that may be necessary or appropriate for performance of the Agreement and will receive all notices on behalf of the Government under this Agreement. The Director General of Hydrocarbons shall also provide all reasonable assistance to the Contractor with respect to its activities in the Republic of Côte d'Ivoire.

37.7. The headings appearing in this Agreement were inserted for ease of reading and reference and in no way define, limit or describe the scope or purpose of the Agreement or any of its clauses.

37.8. Appendices 1, 2, 3, 4 and 5 attached hereto are an integral part of this Agreement.

37.9. Any waiver by the Government of the performance of an obligation of the Contractor shall be made in writing and signed by the representative of the Government, and no waiver may be considered as implicit if the Government waives asserting any of the rights conferred to it by this Agreement.

ARTICLE 38: EFFECTIVE DATE

After being signed by the Parties, this Agreement shall become effective. The date of signature is designated as the Effective Date, thereby making said Agreement binding upon the Parties.

IN WITNESS WHEREOF, the Parties signed this Agreement in 7 (seven) originals.

Done in Abidjan, this 21 December 2017 ("Effective Date")

FOR THE REPUBLIC OF COTE D'IVOIRE

The Secretary of State with the Prime Minister, responsible for State Budget and Portfolio	The Minister of Economy and Finance	The Minister of Petroleum, Energy and the Development of Renewable Energy
/s/ Moussa Sanogo	**/s/ Adama Kone**	**/s/ Thierry Tanoh**
Moussa SANOGO	**Adama KONE**	**Thierry TANOH**

FOR THE CONTRACTOR

PETROCI HOLDING	KOSMOS	BP
/s/ Ibrahima Diaby	**/s/ Brian F. Maxted**	**/s/ Andrew Mcauslan**
Dr. Ibrahima DIABY	**Brian F. MAXTED**	**Andrew MCAUSLAN**
Director General	**Chief Exploration Officer**	**Head of Business Development**

APPENDIX 1

Attached to and forming an integral part of this Agreement by and between the Republic of Côte d'Ivoire and the Contractor.

1.1 DELIMITED REGION

As of the Effective Date, the Delimited Region, referred to as Block CI-602 is composed of the area within the perimeter formed by the points 14F, 96G, 14H and and 14G indicated on the attached map.

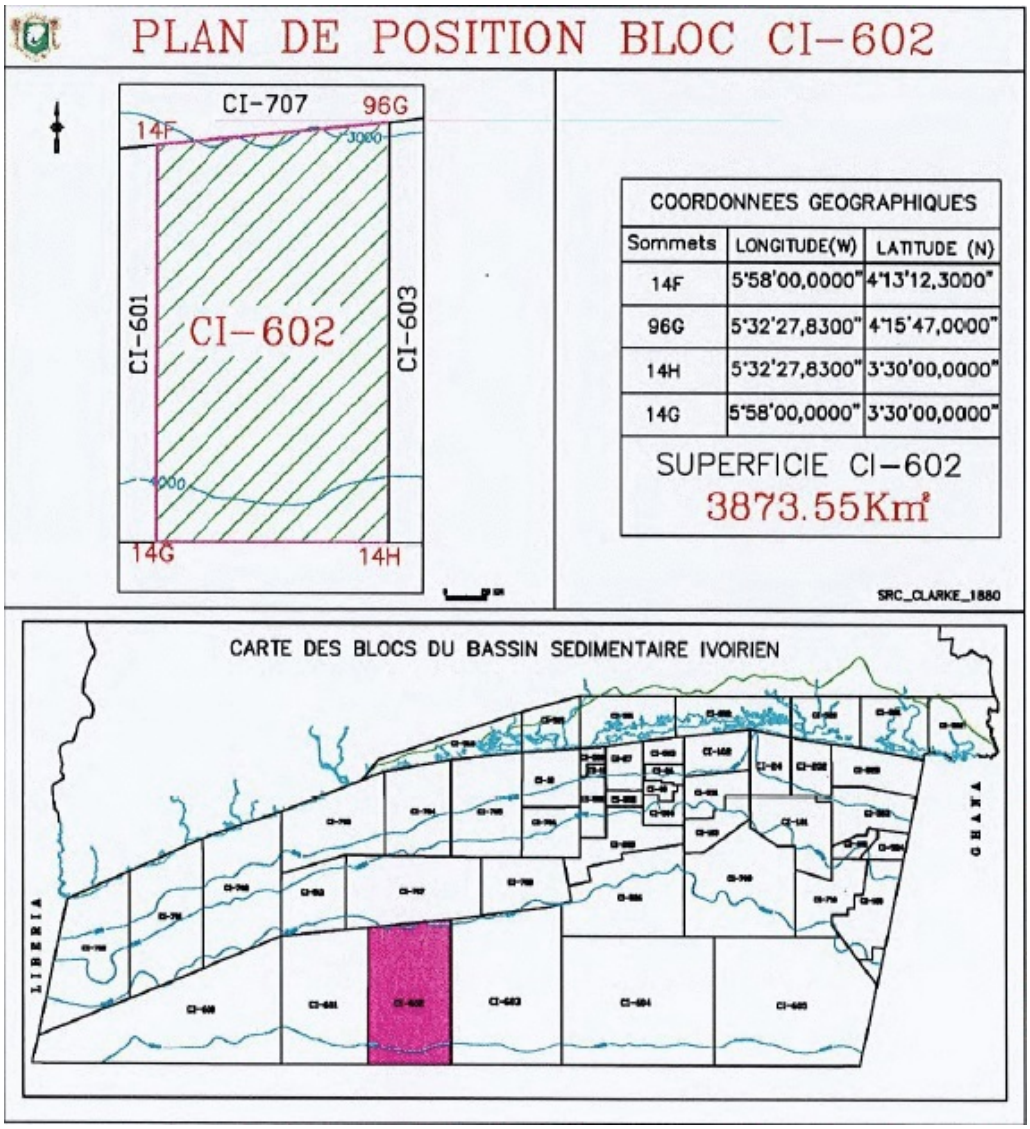
The geographical coordinates of these points are as follows, in relation to the Greenwich meridian:

Point	Longitude (W)	Latitude (N)
14F	5°58'00,0000"	4°13'12,3000"
96G	5°32'27,8300"	4°15'47,0000"
14H	5°32'27,8300"	3°30'00,0000"
14G	5°58'00,0000"	3°30'00,0000"

The topographical reference system is CLARKE 1880 ellipsoid and the datum is Abidjan 1987.

The area of the Delimited Region defined above is considered to be equal to approximately three thousand eight hundred seventy-three decimal fifty-five (3,873.55 km²) square kilometres.

1.2 MAP OF THE DELIMITED REGION



APPENDIX 2

Attached to and forming an integral part of this Agreement by and between the Republic of Côte d'Ivoire and the Contractor.

ACCOUNTING PROCEDURE

Article 1. GENERAL PROVISIONS

1.1. Purpose

This Accounting Procedure shall be followed and observed in performing the obligations under the Agreement to which this Appendix is attached.

1.2. Accounts and statements

The accounting records and books of the Contractor shall comply with legislation, and be kept according to the General Business Accounting Plan in effect in the Republic of Côte d'Ivoire. Nevertheless, the Contractor may apply the accounting rules and procedures in practice in the international petroleum industry to the extent that they are not contrary to the above-mentioned legislation and plans.

In accordance with the provisions of article 24 of the Agreement, the accounts, books and records shall be kept in French and denominated in Dollars. These accounts shall be used specifically in order to determine the amount of Petroleum Costs, the recovery of said costs, the production sharing, as well as for filing the income declarations of the Contractor. For information purposes, the accounts and balance sheets shall also be kept in CFA francs.

The Contractor shall record all activity related to the Petroleum Operations in separate accounts from those related to any other activities that may be performed in the Republic of Côte d'Ivoire.

All accounts, books, records and statements, as well as the supporting documents for expenses incurred, such as invoices and service contracts, shall be retained in the Republic of Côte d'Ivoire so that they may be produced if so requested by the appropriate Ivoirian authorities.

1.3. Interpretation

Unless otherwise provided in this Accounting Procedure, the definitions of the terms appearing in this Appendix 2 shall be the same as the corresponding terms appearing in the Agreement.

In the event of a conflict between the provisions of this Accounting Procedure and the Agreement, the Agreement shall prevail.

1.4. Modifications

The provisions of this Accounting Procedure may be amended by mutual agreement of the Parties.

1.5. Definitions

The terms used in this Accounting Procedure are defined as follows:

a) Development Expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations relative to a Production Perimeter excluding Production Expenses and Financial Expenses

b) Appraisal Expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations relative to an Appraisal Perimeter.

c) Production Expenses are all costs and expenses borne and paid by the Contractor for producing and maintaining the wells, equipment and related facilities relative to a Field from the start of production of said Field. The Production Expenses shall also include all costs and expenses borne and paid by the Contractor for producing and maintaining the pipelines, generators, warehouses, pools and other facilities that the Contractor acquires, builds or installs in accordance with the provisions of article 7.2. of the Agreement for performing the Petroleum Operations.

d) Exploration expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations (especially including the costs and expenses indicated in article 2.2.13 of this Accounting Procedure), excluding Appraisal Expenses, Development Expenses, Production Expenses, Financial Expenses, Overheads in the Republic of Côte d'Ivoire and Overheads Abroad.

e) Financial Expenses means the interest and fees indicated in article 2.2.10 of this Accounting Procedure.

f) Overheads in the Republic of Côte d'Ivoire means the costs and expenses indicated in article 2.2.2 of this Accounting Procedure.

g) Overheads Abroad means the costs and expenses indicated in article 2.2.3 of this Accounting Procedure.

Article 2. PETROLEUM COSTS

2.1. Petroleum Costs Account

The Contractor shall keep a "**Petroleum Costs Account**" to record in detail the expenses incurred and effectively paid by the Contractor in relation to the Petroleum Operations performed pursuant to this Agreement, which shall be recoverable in accordance with the provisions of articles 16 and 21 of the Agreement. Recovery of the Petroleum Costs will be on the basis of the expenses incurred and effectively paid.

In particular, this Petroleum Costs Account shall separately indicate, by Appraisal Perimeter or Production Perimeter, if applicable, the following expenses:

a) the Exploration Expenses;
b) the Appraisal Expenses;
c) the Development Expenses;
d) the Production Expenses;
e) the Financial Expenses;
f) the Overheads in the Republic of Côte d'Ivoire;
g) the Overheads abroad;
h) the abandonment reserve funds:
i) national needs, and
j) training, equipment and social works expenses.

The Petroleum Costs Account shall allow, among others, the following to be identified at any time:

a) the total amount of Petroleum Costs since the Effective Date;

b) the total amount of Petroleum Costs recovered;

c) the total amount credited to the Petroleum Costs Account pursuant to article 2.4.b) of this Accounting Procedure, and

d) the total amount of Petroleum Costs still to be recovered.

For the purposes of application of articles 16 and 21 of the Agreement, the Petroleum Costs shall be recovered according to the following order of priority:

a) production expenses of a Field incurred and effectively paid from the start date of regular production;

b) financial expenses, and

c) other Petroleum Costs.

Furthermore, in each of the categories indicated above, the costs shall be recovered in the order in which they are incurred and effectively paid.

Notwithstanding any provisions to the contrary in this Accounting Procedure, the intent of the Parties is to not duplicate any credit or debit in the accounts maintained pursuant to the Agreement.

2.2. Debits posted to the Petroleum Costs Account
The following expenses and charges shall be posted as debits in the Petroleum Costs Account:

2.2.1. Personnel Expenses
All payments made to cover the salaries and wages of the employees of the Contractor directly assigned in the Republic of Côte d'Ivoire, on a temporary or permanent basis, to the Petroleum Operations performed pursuant to this Agreement, including statutory and welfare costs and all additional charges or expenses set forth in individual or collective agreements or according to the internal administrative regulations of the Contractor.

2.2.2. Overheads in the Republic of Côte d'Ivoire
Fees and salaries of personnel of the Contractor working in the Republic of Côte d'Ivoire on the Petroleum Operations whose work time is not directly assigned to the programs, as well as the costs of maintaining and operating a general and administrative office and auxiliary offices in the Republic of Côte d'Ivoire necessary for the Petroleum Operations.

2.2.3. Overheads abroad
The Contractor shall add a reasonable amount for overhead paid abroad, related to performing the Petroleum Operations by the Contractor and its Affiliated Companies, such amounts representative of the estimated cost of services performed for said Petroleum Operations and corresponding to actual services performed abroad by the Contractor or its Affiliated Companies.

Overheads abroad includes part of the salaries and wages paid to staff residing abroad as well as a portion of general administrative costs for central services located abroad.

The amounts allocated shall be provisional amounts determined based upon the experience of the Contractor, and shall be adjusted annually according to the actual costs borne by the Contractor.

Nevertheless, the overheads paid abroad shall only be allocated within the following limits:

a) before granting an exclusive production permit: five percent (5%) of the expenses allocated to the Petroleum Costs Account excluding overhead for the Calendar Year in question;

b) as of the time of granting the first exclusive production permit: three percent (3%) of the expenses allocated to the Petroleum Costs Account excluding bonuses and overhead for the Calendar Year in question.

2.2.4. Buildings
Expenses for construction, maintenance and related costs, as well as rent paid for all offices, homes, warehouses and other types of buildings, including housing and recreation centres for employees, and the cost of equipment, furnishings, fittings and supplies necessary to use these buildings as required for the needs of the Petroleum Operations.

2.2.5. Materials, Equipment and rent
Costs of equipment, materials, machines, articles, supplies and facilities purchased or supplied for use in the Petroleum Operations, as well as rent or compensation paid or incurred for the use of all equipment and facilities necessary for the Petroleum Operations, including the facilities exclusively owned by the Contractor.

2.2.6. Transportation
Transportation of personnel, equipment, materials and supplies, within the Republic of Côte d'Ivoire and between the Republic of Côte d'Ivoire and other countries, necessary for the Petroleum Operations.

The personnel transportation costs include the expenses for transferring employees and their family, paid by the Contractor, in accordance with the policy established by the Contractor.

2.2.7. Services Rendered
Expenses for services rendered by subcontractors, consultants, expert advisors and public utilities, as well as all costs related to services rendered by the Government or any other authorities of the Republic of Côte d'Ivoire.

The expenses for services rendered by Affiliated Companies, provided that these costs do not exceed those that would normally be charged by independent companies for the same or similar service taking into account the quality and availability of those services.

2.2.8. Insurance and claims
Premiums paid for insurance that must normally be carried for the Petroleum Operations which must be performed by the Contractor pursuant to the Agreement, as well as all expenses incurred

and paid to settle all losses, claims, compensation and other expenses, including those for legal services not recovered by the insurance carrier and those derived from court decisions.
If after approval by the Government no insurance is carried, all expenses paid by the Contractor to settle all losses, claims, compensation, legal judgments and other expenses.

2.2.9. Legal expenses
All expenses relative to conducting, examining and settling disputes or claims arising from the Petroleum Operations, or those necessary for defending or recovering assets acquired in performing the Petroleum Operations, especially including discovery or investigation fees, court fees and amounts paid to settle or resolve such disputes or claims.
If such measures must be conducted by Contractor's legal personnel, reasonable remuneration will be included in the Petroleum Costs, which shall not exceed the cost of the same or similar service normally performed by an independent company.

2.2.10 Financial expenses
All interest and fees the Contractor pays in respect of loans contracted from Third Parties and advances obtained from Affiliated Companies, to the extent that such loans and advances are allocated solely to the financing of a Field's Development Expenses, and do not exceed seventy-five percent (75%) of the total amount of these Development Expenses.

These loans and advances shall be submitted for administration approval under the conditions provided in article 72.3 of the Petroleum Code, except as otherwise provided in article 17.4.c) of this Agreement.

Where the financing has been provided by Affiliated Companies, the eligible interest rates must not exceed the rates normally used in the international financial markets for similar loans.

2.2.11. National needs
The discount of twenty-five percent (25%) conceded to PETROCI on sales of Crude Oil and Natural Gas to meet national needs in accordance with article 27.2 of the Contract.

2.2.12. Training expenses, social services and provision of equipment and materials
All expenses and costs incurred under article 30 of this Agreement.

2.2.13. Other expenses
All expenses borne and paid by the Contractor for the necessary and correct performance of the Petroleum Operations within the context of the Annual Work Programs and approved Budgets, with the exception of expenses covered and paid by the foregoing provisions in this article and the expenses excluded from the Petroleum Costs.

These other expenses include, in particular, foreign exchange losses actually incurred by the Contractor in performing the Petroleum Operations.

2.3. Expenses not attributable to the Petroleum Costs Account
The expenses that are not related to performing the Petroleum Operations, and the expenses excluded according the provisions of the Agreement or this Accounting Procedure and by the Petroleum Code and its implementing decree, are not attributable to the Petroleum Costs Account and thus are not recoverable.

These expenses notably include:

a) the expenses relative to the period prior to the Effective Date save for the provisions in article 16.7;

b) all expenses relative to the Operations performed beyond the Point of Delivery, such as transportation and marketing expenses;

c) the financial expenses relative to financing the Petroleum Exploration Operations, and those relative to the portion of financing the Development Expenses exceeding seventy-five percent (75%) of the total amount of the Development Expenses;

d) the bonuses defined in article 19 of this Agreement.

e) foreign exchange losses other than those indicated in article 2.2.13 of this Accounting Procedure.

Furthermore, the charges indicated in articles 17.4.d), and 17.4.g) of this Agreement, although deductible from net profits for purposes of the industrial and commercial income tax, cannot be chargeable to the Petroleum Costs Account due to how they are defined.

2.4. Credits posted to the Petroleum Costs Account

The following revenue and income shall specifically be credited to the Petroleum Costs Account:

a) revenue derived from selling the quantity of Hydrocarbons available to the Contractor, in accordance with articles 16 and 21 of this Agreement, for recovery of the Petroleum Costs;
b) all other revenue or income related to the Petroleum Operations, especially those derived from:

- the sale of related substances;
- all services rendered to Third Parties using the facilities allocated to the Petroleum Operations, especially the processing, transportation and storage of products for Third Parties in these facilities;
- the transfer of assets of the Contractor, and the transfer of some or all of the rights and obligations of the Contractor according to article 35 of this Agreement;
- foreign exchange gains actually realised by the Contractor in performing the Petroleum Operations.

Article 3. BASIS FOR CHARGING THE COST OF SERVICES, MATERIALS AND EQUIPMENT USED IN THE PETROLEUM OPERATIONS.

3.1. Rendering technical services

A reasonable fee shall be charged for technical services rendered by the Contractor or its Affiliated Companies for the Petroleum Operations performed pursuant to the Agreement, such as analyses of gas, water, core bores and all other tests and analyses, provided that such costs do not exceed those normally charged for similar services by independent technical service companies and laboratories, taking into account the quality and availability of those services.

3.2. Purchase of materials and equipment

The materials and equipment purchased from Third Parties that are necessary for the Petroleum Operations performed within the context of the Agreement shall be charged to the Petroleum Costs Account at the "Net Cost" borne by the Contractor.

The "Net Cost" shall include the cost of purchasing materials and equipment and items such as taxes, customs agent fees, transportation, loading and unloading expenses and licensing fees, relative to the supply of materials and equipment, as well as transit losses not recovered through insurance.

3.3. Use of equipment and facilities owned exclusively by the Contractor

The equipment and facilities owned by the Contractor and used for the Petroleum Operations shall be charged to the Petroleum Costs Account at a lease rate that shall be sufficient to cover the maintenance, repairs, depreciation and services provided to the Petroleum Operations, provided that such costs do not exceed those normally charged by Third Parties in the Republic of the Republic of Côte d'Ivoire for similar services and taking into account the quality and availability of those services.

3.4. Valuation of equipment

Any equipment transferred to the Republic of Côte d'Ivoire from the warehouses of the Contractor or any of the entities comprising the Contractor or their Affiliated Companies shall be valued as follows:

a) New equipment

New equipment (condition "A") is new equipment that has never been used: one hundred percent (100%) of the current market price, which corresponds to the price that would normally be invoiced under free market conditions between an independent buyer and seller for similar supplies.

b) Equipment in good condition

Used equipment in good condition (condition "B") is equipment in good condition that is still usable for its initial intended purpose, without repairs: seventy-five percent (75%) of the price of new equipment.

c) Other used equipment

Other used equipment (condition "C") is equipment that is still usable for its initial intended purpose, after repair and reconditioning, fifty percent (50%) of the price of new equipment.

d) Equipment in poor condition

Equipment in poor condition (condition "D") is equipment that is no longer usable for its initial intended purpose, but only for other services: twenty-five percent (25%) of the price of new equipment.

e) Scrap and waste

Scrap and waste (condition "E") is equipment that cannot be used or repaired: current price for scrap.

3.5. Materials and equipment transferred by the Contractor

The materials and equipment acquired by all of the entities comprising the Contractor shall be valued based upon the conditions defined in article 3.4 of this Accounting Procedure.

The materials and equipment acquired by any of the entities comprising the Contractor, or by Third Parties, shall be valued based upon sales price obtained, which shall not under any circumstances be less than the price determined according to the conditions defined in article 3.4 of this Accounting Procedure.

The corresponding amounts shall be credited to the Petroleum Costs Account.

Article 4. INVENTORIES

4.1. Frequency
The Contractor shall keep a permanent inventory of quantities and values of all assets used for the Petroleum Operations and, at reasonable intervals, shall carry out physical inventories as required by the Parties in accordance with the Best Industry Practice in the international petroleum industry.

4.2. Notification
A written notification of the intent to take inventory shall be sent by the Contractor at least ninety (90) days before the start of said inventory, so that the Government and the entities comprising the Contractor may be represented, at their expense, during inventory operations.

4.3. Information
In the event that the Government or an entity comprising the Contractor is not represented during an inventory, said Party or Parties shall be bound by the inventory prepared by the Contractor, which shall then provide said Party or Parties with a copy of said inventory in accordance with the Best Industry Practice in the international petroleum industry.

Article 5. FINANCIAL AND ACCOUNTING STATEMENTS
The Contractor shall provide the Government with all reports, records and statements indicated in the provisions of the Agreement and current legislation, and especially the following accounting and financial statements:

5.1. Statement of exploration work obligations
This annual statement shall be submitted within forty five (45) days after the end of each Contractual Year relative to exploration periods.

It shall provide a detailed statement of the work and exploration expenses carried out by the Contractor to perform the obligations set forth in article 4 of this Agreement, specifically excluding appraisal wells and the corresponding Appraisal Expenses as well as Development Expenses, Production Expenses, Overheads in the Republic of Côte d'Ivoire and bonuses.

5.2. Petroleum Costs recovery statement
A quarterly statement shall be submitted within forty five (45) days after the end of each Calendar Quarter. It shall indicate the following items of the Petroleum Costs Account:

a) the amount of Petroleum Costs still to be recovered at the beginning of the Calendar Quarter;

b) the amount of Petroleum Costs relative to the Calendar Quarter in question, recoverable according to the provisions of the Agreement;
c) the quantity and the value of the production of Hydrocarbons taken during the Calendar Quarter by the Contractor to recover Petroleum Costs;
d) the amount of income or proceeds credited pursuant to article 2.4.b) of this Accounting Procedure during the quarter;
e) the amount of Petroleum Costs still to be recovered at the end of the Calendar Quarter.

Furthermore, an annual Petroleum Costs recovery statement shall be submitted before the end of February of each Calendar Year.

5.3. Production Statement
After production begins, a monthly production statement shall be submitted within no more than fifteen (15) days after the end of each month.

For each month, it shall present details of the production of each Field, and especially the quantities of Hydrocarbons:

a) in stock at the beginning of the month;
b) lifted during the month;
c) lost and used for the needs of the Petroleum Operations;
d) in stock at the end of the month.

APPENDIX 3

Attached to and forming an integral part of this Agreement between the Republic of Côte d'Ivoire and the Contractor.

BANK GUARANTEE

This bank guarantee is issued on this (indicate issuance date) …… by the company …… (indicate name of BANK), a joint-stock company with share capital of ……., registered under number……, with registered office in …….., represented herein by Mr ……. ,……..(indicate capacity of signer), hereinafter referred to as the "**Bank**",

WHEREAS

(A) **The company,** a company incorporated under the laws of…, hereinafter referred to as "……," represented herein by **Mr……..,** entered into a Hydrocarbons Production Sharing Agreement relative to block CI-…… (hereinafter referred to as the "**PSA**") with the Government on ……[date]…….

(B) In accordance with article 4.8 of the PSA, the Contractor agrees to provide the Government with a bank guarantee for performance of the minimum exploration work programs as defined in article 4 of the PSA.

(C) The Bank, at the request of the Contractor, agrees to provide this bank guarantee in favour of the Government, for the Guaranteed Amount as defined in article 3 below.

NOW, THEREFORE, the Bank issues this guarantee on the following items:

1. DEFINITIONS AND INTERPRETATION

Unless otherwise expressly defined in this guarantee, the terms contained herein shall be defined in the same manner as in the PSA.
For the purposes of this guarantee, a business day is understood to be any day from Monday through Friday excluding bank holidays in the Republic of Côte d'Ivoire.

2. EFFECTIVE DATE

This bank guarantee shall become effective and valid as of the date of issuance (the "**Effective Date**") and remains in effect until cancellation or termination in accordance with article 4 below.

3. PAYMENT OF THE GUARANTEED AMOUNT

The Bank shall pay the Government the Guaranteed Amount within eight (8) business days following receipt of the following documents:

3.1 Receipt by the Bank of a written request from the Government accompanied by the original written statement sent by an authorised representative of the Contractor to the Government, indicating that the Contractor does not intend to perform or pursue the minimum exploration program defined in accordance with the terms and conditions of the PSA or

3.2 Receipt by the Bank of a written request from the Government accompanied by a copy of the formal notice sent by the Government to the Contractor to remedy its default with regard to the minimum exploration work program as specified in article 4 of the PSA, which has remained without effect for thirty (30) days following receipt of said notice.

"Guaranteed Amount" means (i) an amount equal to US$ ……, or (ii) an amount equal to the balance of this amount as it is reduced in accordance with article 4 of the PSA.

4. CANCELLATION AND/OR TERMINATION OF THE BANK GUARANTEE

4.1. The obligations of the Bank vis-à-vis the Government by virtue of this bank guarantee shall end when one of the following situations occurs:

4.1.1. Receipt by the Bank of a notification from the Government indicating that the Contractor performed the minimum exploration work indicated in the PSA, or

4.1.2. Receipt by the Bank of a written notification from the Government indicating that the Contractor made a payment corresponding to the indemnity indicated in article 4.10 of the PSA.

4.2. This bank guarantee is constituted for the duration of the exploration period, and its initial amount shall be adjusted and shall terminate in accordance with the provisions of article 4.8 of this Agreement.

5. LIABILITY

The liability of the Bank regarding this bank guarantee vis-à-vis the Government is strictly limited to the Guaranteed Amount.

6. NOTIFICATION

All notifications, requests, applications and other communications regarding this bank guarantee shall be made in writing or by fax and sent to the party in question at the address indicated below:

The Bank: [bank coordinates to be completed]
The Government: The Minister of Mines, Petroleum and Energy Fax no.: ... ...
The Contractor: ... ... Fax no.: ... ...

7. APPLICABLE LAW

This guarantee shall be governed and interpreted according to the law of the Republic of Côte d'Ivoire.

8. ARBITRATION

All disputes arising out of the interpretation or application of this guarantee shall be definitively resolved by arbitration in accordance with the provisions of article 32 of this Agreement.

In witness whereof, the Bank issues this guarantee.

Done in Abidjan, on _____

Signature: _____

Name: _____

Capacity: _____

APPENDIX 4

Attached to and forming an integral part of this Agreement between the Republic of Côte d'Ivoire and the Contractor.

PERFORMANCE BOND

Whereas ……., a Company incorporated under the laws of [Country], with registered office in…….., hereinafter referred to as the "**Guarantor**," is the sole shareholder of …….**,** a Company incorporated under the laws of……., with registered office in ……..,, hereinafter referred to as " **the Contractor"**

Whereas the Contractor entered into a Production Sharing Agreement (hereinafter referred to as the "**Agreement**") dated …….. with the Republic of Côte d'Ivoire (hereinafter referred to as the "**Government**"), corresponding to the Delimited Region defined in Appendix 1 to said Agreement;

Whereas the Contractor is bound to its portion of the obligations pursuant to the Agreement vis-à-vis the Government;

THE GUARANTOR AGREES AS FOLLOWS:

The Guarantor hereby acknowledges that it is fully informed of the legal and contractual obligations assumed by the Contractor within the context of this Agreement and guarantees that it shall make available to the Contractor all technical and financial resources, personnel and equipment necessary for the Contractor to fully perform its obligations pursuant to this Agreement , provided that the liability of the Guarantor shall not exceed the lesser of:

a. the Contractor's share of the obligations under the Agreement;
b. One-hundred million US Dollars (US$100,000,000) during the exploration period; and
c. Two-hundred million US Dollars (US$200,000,000) during the exploitation period..

This performance bond shall become effective on the date of its signature and shall remain in force until full discharge of the Contractor's obligations resulting from the Agreement.

Unless agreed otherwise in writing between the Government and the Contractor, this performance bond will not be affected by changes which may be made to the provisions of this Agreement.

No delay by the Government in asserting its rights derived from the Agreement may be interpreted as a waiver of such rights.

Any dispute arising between the Government and the Guarantor resulting from the application or interpretation of this performance bond shall be resolved by arbitration in accordance with the provisions of article 32 of the Agreement.

Executed on this ……..By: **……**

Title: **……..**

REPUBLIC OF COTE D'IVOIRE
Unity – Discipline - Labour

HYDROCARBONS
PRODUCTION SHARING AGREEMENT

BLOCK CI-603

21 December 2017

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AGREEMENT

BY AND BETWEEN

The Republic of Côte d'Ivoire, hereinafter referred to as the "Government," represented herein by the Minister of Petroleum, Energy and Development of Renewable Energies, **Mr. Thierry TANOH,** the Secretary of State to the Prime Minister in charge of the State Budget and Portfolio, **Mr. Moussa SANOGO**, and the Minister of Economy and Finance, **Mr. Adama KONE** , duly authorised to sign hereunder;

as the first party,

AND

BP Exploration Operating Company Limited], a company incorporated under the laws of England, headquartered at Chertsey Road, **Sunbury-on-Thames, Middlesex, TW16 7LN**, United Kingdom hereinafter referred to as "BP" and represented herein by **Mr. Andrew MCAUSLAN, Head of Business Development;**

KOSMOS ENERGY COTE D'IVOIRE, a company incorporated under the laws of Cayman Islands, headquartered on the 4th floor, Century Yard, Cricket Square, PO Box 32322 George Town, Grand Cayman, KY1, 1209, hereinafter referred to as " **KOSMOS**" and represented herein by **Mr. Brian F. Maxted, Chief Exploration Officer;**

PETROCI HOLDING, the Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire, hereinafter referred to as "**PETROCI**," an Ivoirian company headquartered at Immeuble Les Hévéas, 14, Boulevard CARDE, BP. V194 Abidjan Plateau and represented herein by its President, **Mr. Ibrahima DIABY**;

as the second party,

RECITALS

- In accordance with the provisions of article 2 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, all Fields or natural accumulations of Hydrocarbons in the soil or the subsoil of the Republic of Côte d'Ivoire territory, its territorial waters, its exclusive economic zone and continental shelf, whether or not discovered, are and remain the exclusive property of the State;

- The discovery and production of Hydrocarbons are important for the interests and economic development of the country and its inhabitants;

- In accordance with the provisions of article 5 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, the State may authorise Ivoirian or foreign legal entities to engage in the exploration, production, transport, storage, transformation and sale of

Hydrocarbons, pursuant to a petroleum contract entered into by and between these entities and the State;

- In accordance with the provisions of article 6 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, the State designated PETROCI to participate in the Petroleum Operations under this Agreement;

- The Government hopes to develop and promote the Delimited Region, and the Contractor wishes to cooperate with the Government by helping it explore and develop the potential resources of the Delimited Region and thereby encourage the economic expansion of the country;

- In accordance with Article 1 of Decree No. 2014-248 dated 8 May 2014 which delegated the powers to sign petroleum contracts, the Minister in charge of Petroleum, the Minister of Economy and Finance and the Minister in charge of the Budget have delegated powers to jointly sign the petroleum contracts on the Government's behalf;

- The Contractor states that it has the capital, technical capacity and organizational skills necessary to successfully perform the Petroleum Operations specified below in the Delimited Region;

- The Council of Ministers, in its session held on 20 December 2017, granted its approval for the signing of this Agreement;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1: DEFINITIONS

The terms used herein are defined as follows:

1.1. CALENDAR YEAR means a period of twelve (12) consecutive months beginning on the first (1st) of January and ending on the thirty-first (31st) of December thereafter, according to the Gregorian calendar.

1.2. CONTRACTUAL YEAR means a period of twelve (12) consecutive months beginning on the Effective Date, or the anniversary of said Effective Date.

1.3. FISCAL YEAR means a period of twelve (12) consecutive months beginning on the first (1st) of January and ending on the thirty-first (31) of December thereafter.

1.4. BARREL means "U.S. barrel," i.e., 42 U.S. gallons measured at a temperature of 60° F and at the atmospheric pressure of 14.696 p.s.i.a.

1.5. BUDGET means the quantified estimate, on an item-by-item basis, of the Petroleum Operations appearing in an Annual Work Program.

1.6. CCI has the meaning attributed to it in article 18.5.

1.7. GENERAL TAX CODE means the collection of the legislative and regulatory provisions of the Ivorian tax law which was codified by Law No. 63-524 of 26 December 1963, amended by article 45 of Law No. 2003-206 of 7 July 2003 setting the Finance Law for 2003, and which incorporates each year, after adoption of the Finance Law, the legislative and regulatory provisions affecting Ivorian tax law.

1.8. PETROLEUM CODE means Law No. 96-669 of 29 August 1996, which came into force on 29 August 1996, as amended and in force on the Effective Date.

1.9. COORDINATION COMMITTEE has the meaning attributed to it in article 37.1.

1.10. CONTRACTOR means, collectively or individually, **BP, KOSMOS** and **PETROCI**, as well as any entity to which they may assign an interest pursuant to articles 35.1 and 35.2.

On the Effective Date of this Agreement, the rights and obligations arising from this Agreement between the entities that make up the Contractor shall be based on the following participations:

BP: 45%
KOSMOS: 45%
PETROCI: 10%

1.11. AGREEMENT means this Agreement and the appendices hereto, which are an integral part hereof, as well as any extension, renewal, substitution or modification of this Agreement, decided by mutual agreement between the Parties.

1.12. PETROLEUM COSTS mean all expenses actually borne and paid by the Contractor to perform the Petroleum Operations set forth in this Agreement, determined according to the Accounting Procedure indicated in Appendix 2.

1.13. CPI has the meaning attributed to it in article 16.3.

1.14. EFFECTIVE DATE means the date on which the Agreement becomes effective, as defined in article 38.

1.15. DOLLAR means Dollar of the United States of America.

1.16. FORCE MAJEURE has the meaning attributed to it in article 33.2.

1.17. NATURAL GAS means methane, ethane, propane, butane and gaseous hydrocarbons, either wet or dry, whether or not associated with Crude Oil, as well as all other gaseous products extracted in association with the hydrocarbons, specifically nitrogen, hydrogen sulphide, carbon dioxide, helium and steam.

1.18. ASSOCIATED NATURAL GAS means the Natural Gas existing in a reservoir in solution with the Crude Oil, or in the form of a "gas cap" in contact with the Crude Oil, and which is produced or may be produced in association with the Crude Oil.

1.19. NON-ASSOCIATED NATURAL GAS means natural gas excluding Associated Natural Gas.

1.20. FIELD means an accumulation of Hydrocarbons, in one or more superimposed horizons that has been properly evaluated in accordance with the provisions of article 11.

1.21. HYDROCARBONS mean Crude Oil and Natural Gas.

1.22. TAXES AND/OR CHARGES means all compulsory, definitive and unrequited pecuniary payments required by the State or its branches from any individual or corporate person as a result of the exercise in the Republic of Côte d'Ivoire of an activity, the possession of property, capital, the performance of an act or use of a service, and includes any penalties that may be attached to such payments.
Duties and taxes include, but are not limited to, income taxes, taxes on industrial and commercial profits (Bénéfices Industriels et Commerciaux, or BIC), taxes on non-commercial profits (Bénéfices Non Commerciaux, or BNC), taxes on agricultural profits (Bénéfices Agricoles, or BA), General Income Tax (Impôt Général sur le Revenu, or IGR), Value Added Tax (Taxe sur la Valeur Ajoutée, or VAT), the tax on banking transactions, excise duties, property tax (tax on property and on income derived from property), the business license tax (Contribution des patentes), taxes on wages and salaries, and the various related levies made at source related thereto, registration and stamp duties, royalties, customs duties or taxes, and any other similar compulsory levies.

1.23. OPERATOR has the meaning attributed to it in article 2.8.

1.24. PETROLEUM OPERATIONS means all exploration, appraisal, development, production, abandonment, transport, processing (with the exception of refining) and marketing

of Hydrocarbons and, in general, any other operations directly related thereto, that are performed within the context of this Agreement.

1.25. ADDITIONAL PARTICIPATION has the meaning attributed to it in article 22.2.a).

1.26. INITIAL PARTICIPATION has the meaning attributed to it in article 22.1.

1.27. PARTIES means the Government and the Contractor; and **PARTY** means the Government, the Contractor, or any of the entities that make up the Contractor**.**

1.28. **APPRAISAL PERIMETER** means any portion of the Delimited Region where one of the Hydrocarbons discoveries has been made the size of which shall be evaluated, for which the Government has granted the Contractor an exclusive appraisal permit in accordance with the provisions of article 11.3.

1.29. **PRODUCTION PERIMETER** means any portion of the Delimited Region for which the Government has granted the Contractor an exclusive production permit in accordance with the provisions of article 12.

1.30. **CRUDE OIL** means crude mineral oil, asphalt, ozokerite and all sorts of Hydrocarbons and bitumens, either solid or liquid, in their natural state or obtained from Natural Gas by condensation or extraction, including condensate and liquid Natural Gas.

1.31. **CUBIC FOOT** means the quantity of Natural Gas contained in a volume of one (1) cubic foot measured at a temperature of 60° F and at an atmospheric pressure of 14.696 p.s.i.a.

1.32. **ABANDONMENT PLAN** has the meaning attributed to it in article 20.7.

1.33 POINT OF DELIVERY OF NATURAL GAS means a point of transfer agreed upon by the Parties at the time the development and production plan is submitted.

1.34 POINT OF DELIVERY OF CRUDE OIL means the F.O.B. point of connection between the loading facilities and the vessel loading the Crude Oil produced pursuant to this Agreement in the Republic of Côte d'Ivoire, or any other transfer point established by mutual agreement of the Parties.

1.35 MARKET PRICE has the meaning attributed to it in article 18.1.

1.36 REMAINING PRODUCTION has the meaning attributed to it in articles 16.3 and 21.3 applicable to Crude Oil and Natural Gas respectively.

1.37. **TOTAL PRODUCTION** means the Total Production of Natural Gas and the Total Production of Crude Oil.

1.38 TOTAL PRODUCTION OF NATURAL GAS means the total Natural Gas production from the Delimited Region as a whole less the quantities used for the needs of Petroleum Operations, unavoidable losses and, subject to the provisions of article 21.2.3, the quantities of Natural Gas that were burned.

1.39 TOTAL PRODUCTION OF CRUDE OIL means the total Crude Oil production obtained from the Delimited Region as a whole less the quantities used for the needs of Petroleum Operations and unavoidable losses.

1.40 DAILY TOTAL PRODUCTION OF NATURAL GAS has the meaning attributed to it in article 21.3.

1.41 DAILY TOTAL PRODUCTION OF CRUDE OIL has the meaning attributed to it in article 16.3.

1.42 ANNUAL WORK PROGRAM means the descriptive itemized document of the Petroleum Operations to be performed during a Calendar Year in the Delimited Region, and if applicable in each Production Perimeter, established in accordance with the provisions of articles 4 and 5.

1.43 BEST INDUSTRY PRACTICE means the good and prudent practices of the petroleum industry including in matters of, but is not limited to, preservation of the environment, of engineering, of well conservation and exploitation principles; of hygiene, of health, and of general safety used in the international petroleum industry under similar circumstances.

1.44. DELIMITED REGION means the area indicated in article 2.7 to which the Government, within the context of this Agreement, grants the Contractor exclusive exploration rights.

The areas relinquished by the Contractor in accordance with the provisions of articles 3.5 and 3.6 shall be considered as no longer a part of the Delimited Region which shall then be reduced accordingly. On the other hand, the Production Perimeter(s) and the Appraisal Perimeter(s) shall be an integral part of the Delimited Region during the term of validity of the corresponding exclusive production permit and the exclusive appraisal permit(s).

1.45. **AFFILIATED COMPANY** means:

- a company or any other entity that controls or is controlled, directly or indirectly, by any entity comprising the Contractor;
- or a company or any other entity that controls or is controlled, directly or indirectly, by a company or entity that itself directly or indirectly controls any entity comprising the Contractor.

Such "**control**" means direct or indirect ownership by a company or any other entity of more than fifty percent (50%) of the voting shares of capital stock of another company.

1.46. THIRD PARTY means any individual or legal entity, other than the Contractor, the State and the Government that is not within the context of the preceding definition at article 1.45.

1.47. CALENDAR QUARTER means a period of three (3) consecutive months beginning on the first day of January, April, July or October during a Calendar Year.

<u>ARTICLE 2:</u> SCOPE OF APPLICATION OF THE AGREEMENT

2.1. This Agreement is a Production Sharing Agreement governed by the provisions hereunder.

2.2. The Government authorises the Contractor, under the conditions set forth herein, to exclusively perform all of the Petroleum Operations that are appropriate and necessary within the context of this Agreement.

2.3. The Contractor undertakes to carry out all of the work necessary for performing the Petroleum Operations set forth in this Agreement, in accordance with Best Industry Practice, and to be subject to the laws and regulations in effect in the Republic of Côte d'Ivoire unless otherwise provided by the Agreement.
2.4. The Contractor shall provide all financial and technical means necessary for the proper development of the Petroleum Operations in accordance with the Best Industry Practice.

2.5. The Contractor shall solely assume the financial risk related to performing the Petroleum Operations. The related Petroleum Costs shall be recoverable by the Contractor in accordance with the provisions of article 16 and 21.

2.6. In the event of production, the Total Production resulting from the Petroleum Operations, during the period of validity of this Agreement, shall be shared between the Parties under the conditions defined in articles 16 and 21.

2.7. As of the Effective Date, the Delimited Region corresponds to the zone defined in Appendix 1.

2.8. As of the Effective Date the Government approves the appointment of:
- KOSMOS as operator ("**Operator**") in charge of directing and performing the Petroleum Operations in the name and on behalf of the Contractor from the Effective Date;
- BP as Operator in charge of directing and performing the Petroleum Operations in the name and on behalf of the Contractor from the first discovery of Hydrocarbons as notified in Article 11.1.

Any change in Operator shall be submitted to the Government in advance for approval.

The Operator, in the name and on behalf of the Contractor, shall send the Government all reports, information and data stipulated under this Agreement, and especially including the association agreement and all agreements relevant to the Petroleum Operations, as applicable, binding the entities comprising the Contractor.

ARTICLE 3: DURATION OF EXPLORATION PERIODS AND RELINQUISHED AREAS

3.1. The exclusive exploration permit is hereby granted to the Contractor for an initial exploration period of three (3) Contractual Years, for the entire Delimited Region, extended, if applicable, in accordance with the provisions of article 3.4.

3.2. If the Contractor, upon expiry of the initial exploration period indicated above, conditional on having met the exploration work commitments as defined in article 4.2, so requests, a second exploration period shall be authorised for three (3) Contractual Years from the expiration date of the first exploration period, extended, if applicable, in accordance with the provisions of article 3.4.

3.3. If the Contractor so requests, upon expiration of this second exploration period, conditional on having met the exploration work commitments as defined in article 4.3, so requests, a third exploration period shall be authorised for three (3) Contractual Years from the expiration date of the extended second exploration period, extended, if applicable, in accordance with the provisions of article 3.4.

3.4. The requests indicated in articles 3.2 and 3.3 shall be made at least sixty (60) days before expiration of the current exploration period.
If the expiration date of an exploration period occurs while the drilling of an exploration well or the production tests in an exploration well are being performed, or temporary or definitive work to abandon an exploration well is in progress, said exploration period shall be extended for the time necessary for the completion and well testing or abandonment work, provided that said extension does not exceed ninety (90) days. The Contractor shall notify the Government of said extension within seven (7) days prior to the normal expiration date of the current exploration period.

3.5. The Contractor shall have to relinquish at least the following areas:

a) twenty-five percent (25%) of the initial area of the Delimited Region upon expiration of the first exploration period; and
b) twenty-five percent (25%) of the initial area of the Delimited Region upon expiration of the second exploration period.

The area shall be relinquished in a simple geometric shape, i.e. an area of no more than 15 lines, bounded by the North/South, East/West lines or by the initial limits of the Delimited Region.
The area corresponding to any Production Perimeter or Appraisal Perimeter shall be deducted from the initial area of the Delimited Region before calculating the relinquished areas.
The areas previously abandoned, in accordance with the provisions of article 3.6, shall be deducted from the areas to be relinquished.

Subject to compliance by the Contractor with the foregoing requirements, the Contractor may freely select the zone within the Delimited Region to be relinquished.

The Contractor agrees to provide the Government with an accurate description and a map showing details of the areas relinquished and the areas retained as well as a report specifying the Petroleum Operations performed since the Effective Date on the relinquished areas and the results obtained.
The geometric shape and continuity of the relinquished areas are subject to approval by the Government.
The obligations indicated in article 8 of this Agreement shall be performed in their entirety for the relinquished areas.

3.6. During an exploration period, the Contractor, subject to sixty (60) days advance notice, may at any time notify the Government that it waives, in all or part of the Delimited Region, the rights conferred to it by this Agreement.

In the event of a partial waiver, the provisions of article 3.5 regarding relinquished areas shall be applicable.

No waiver during or after an exploration period shall reduce the work commitments and investment obligations indicated in article 4 for the ongoing exploration period.

In the event of a waiver, the Contractor shall have the exclusive right to retain, for the respective term of validity, the areas of the Appraisal Perimeters and Production Perimeters that were granted.

With respect to applications for Appraisal or Production Perimeters that were filed before the effective date of waiver, the Contractor shall also have the exclusive right to retain the corresponding areas if these subsequently give rise to the granting of an Appraisal Perimeter or of a Production Perimeter under the terms of this Agreement, and to carry out the Petroleum Operations.

3.7. At the end of the third exploration period defined in article 3.3., the Contractor shall abandon all of the remaining area of the Delimited Region, with the exception of the Appraisal Perimeters and the Production Perimeters granted as of said date or previously, or for which an authorisation request was filed if the same subsequently resulted in the granting of an Appraisal Perimeter or a Production Perimeter according to the conditions of this Agreement.

3.8. If, upon expiration of all of the exploration periods, the Contractor has not obtained an exclusive appraisal permit or an exclusive production permit, this Agreement shall end. Regardless of the above, if, before this date, an application for an exclusive appraisal permit or exclusive production permit has been filed, the Agreement will remain in force in the perimeter to which the exclusive appraisal permit or exclusive production permit relates until the Government decides on the Contractor's request.

If the Government rejects the application for an exclusive appraisal or exclusive production permit, this Agreement will terminate. If an exclusive appraisal permit or an exclusive production permit is granted, this Agreement will remain in force for the granted Appraisal Perimeters or Production Perimeters.

3.9. The expiration of this Agreement, or its termination for any reason whatsoever, shall not end the obligations of the Contractor in relation to the Agreement that were created before or at the time of said expiration or termination.

ARTICLE 4: EXPLORATION WORK COMMITMENTS

4.1. The Contractor shall begin the geological and geophysical work provided for in article 4.2 below, within three (3) months from the Effective Date.

4.2. During the first exploration period defined in article 3.1, the Contractor shall perform at least the following work in the Delimited Region:

- Acquisition, processing and interpretation of new 3D seismic covering a minimum of two thousand five hundred km² (2,500 km²).

4.3. During the second exploration period defined in article 3.2, the Contractor shall perform at least the following work in the Delimited Region:

- Geological, geophysical (G&G) and engineering studies;
- One (1) exploration well, firm.

4.4. During the third exploration period defined in article 3.3., the Contractor shall perform at least the following work in the Delimited Region:

- Geological, geophysical (G&G) and engineering studies;
- One (1) exploration well, firm.

4.5. Each of the exploration wells provided for in articles 4.3 and 4.4 shall reach the lesser of either:
- at least one hundred (100) meters into the Albian; or
- at least two-thousand five hundred metres (2,500), minimum depth, below the mud-line

In all cases, the exploration well can be stopped at a lesser depth if:

a) the base is at a depth that is less than the minimum contractual depth;

b) drilling the well presents an obvious danger;

c) rocky formations are found, the hardness of which does not allow, in practice, the well to be drilled, or

d) petroleum formations are found that, in order to be crossed, require casings to be installed for their protection, that do not allow for the minimum contractual depth to be reached.

If any of the reasons listed above exists, the exploration well shall be considered to have been drilled to the minimum contractual depth.

Notwithstanding any provision to the contrary in this Agreement, for the purposes of this article 4, exploratory drilling shall be any drilling executed in the Delimited Region outside any Appraisal Perimeter or any Production Perimeter existing on the date on which the drilling operations begin.

The wellbores drilled within the context of an exclusive appraisal permit shall not be considered as exploration wells and shall be governed by the provisions of article 11.

4.6. In order to perform the exploration work defined in articles 4.2 to 4.4 under the Best Industry Practice, the Contractor agrees to invest at least the following amounts:

a) Five million Dollars (US $5,000,000) during the first exploration period defined in article 3.1;

b) Eighteen million Dollars (US $ 18,000,000) during the second exploration period defined in article 3.2;

c) Eighteen million Dollars (US $ 18,000,000) during the third exploration period defined in article 3.3.

Notwithstanding the foregoing, if the Contractor, in an exploration period, has performed its work commitments for an amount less than that indicated above, it shall be considered as having performed its investment obligations for said period. On the other hand, the Contractor shall perform all of the work commitments specified for a given exploration period even if it requires an investment greater than that specified above for said period.

4.7. In the event that the Contractor, during a given exploration period, drills one or more additional exploration wells, this or these additional exploration wells may be carried forward to the period immediately thereafter if an application is filed by the Contractor at the time of renewal of said exploration period as specified in articles 3.2 and 3.3 above. This request, which will not be refused without reasonable grounds, must be accompanied by the work program that it agrees to perform during the exploration period subject to the carried forward, and shall indicate the estimated and related costs.

4.8. Each entity constituting the Contractor, except PETROCI, shall provide the Government with irrevocable bank guarantees that are acceptable to the Government, corresponding to the investments stipulated in article 4.6 proportionally to their participation and to their obligation to contribute to the Initial Participation of PETROCI, covering the performance of the minimum exploration work programs indicated in articles 4.2, 4.3 and 4.4, as follows:

a) Within no more than thirty (30) days after the Effective Date, the Contractor shall provide a bank guarantee in the amount of five million Dollars (US$ 5,000,000) to guarantee performance of the minimum exploration work program for the first exploration period in accordance with article 4.2.

The amount of the bank guarantee shall be reduced by:

- fifty percent (50%) of the original amount, i.e., two and a half million Dollars (US $2,500,000) following delivery by the Operator to the Government of a copy of the contract for seismic data acquisition;
- twenty-five percent (25%) of the original amount, i.e. one million and two hundred and fifty thousand Dollars (US $1,250,000) following the start of said acquisition work;
- twenty-five percent (25%)of the original amount, i.e. one million and two hundred and fifty thousand Dollars (US $1,250,000) following completion of said acquisition work and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the first exploration period.

b) As of the start date of the second exploration period, the Contractor shall provide a bank guarantee for an amount of eighteen million Dollars (US $ 18,000,000) to guarantee performance of the minimum exploration work program indicated in article 4.3. The amount of the bank guarantee, adjusted to reflect the exploration wells drilled in advance during the previous exploration period and carried forward to the next exploration period in accordance with article 4.7, will be reduced by:

- fifty percent (50%) of the original amount, i.e., nine million Dollars (US $9,000,000) following delivery by the Operator to the Government of a copy of the contract for drilling;
- twenty-five percent (25%) of the original amount; i.e., four million and five hundred thousand Dollars (US $4,500,000) following the start of said drilling works;
- twenty-five percent (25%)of the original amount; i.e. four million and five hundred thousand Dollars (US $4,500,000) following completion of the drilling works and after the Operator sends the Government all reports and documents

derived from performance of the minimum exploration work program for the second period and, approved by the Government in accordance with this Agreement.

c) As of the start date of the third exploration period, the Contractor shall provide a bank guarantee for an amount of eighteen million Dollars (US$18,000,000) to guarantee performance of the minimum exploration work program indicated in article 4.4. The amount of the bank guarantee, adjusted to reflect the exploration wells drilled in advance during the previous exploration period and carried forward to the next exploration period in accordance with article 4.7, will be reduced by:

- fifty percent (50%) of the original amount, i.e., nine million Dollars (US $9,000,000) following delivery by the Operator to the Government of a copy of the contract for drilling;
- twenty-five percent (25%) of the original amount, i.e., four million and five hundred thousand Dollars (US $4,500,000) following the start of said drilling works;
- twenty-five percent (25%) of the original amount, i.e. four million and five hundred thousand Dollars (US $4,500,000) following completion of the drilling works and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the third period and, approved by the Government in accordance with this Agreement.

The above bank guarantees shall be issued in terms that are comparable to the bank guarantee in Appendix 3 in accordance with the issuing bank and the Government's acceptance decision shall be made no later than ten (10) days from the date the bank guarantee was submitted by the Contractor. After this period has passed, the bank guarantee will be deemed to have been accepted.

4.9. The Operator shall notify the Government of the completion of the exploration work in the minimum exploration work program for a given exploration period. If the bank guarantee shall be released in accordance with article 4.8, within fifteen (15) days following notification by the Operator, the Government shall notify the bank of the release of the bank guarantee in the necessary amount or shall notify the Operator of its challenge relative to completion of the minimum exploration work program. The bank guarantee shall be released in accordance with the terms of article 4.8, unless a payment is due pursuant to article 4.10, in which case the bank guarantee shall be released once this payment is made.

4.10. If, for any reason except for a case of Force Majeure, the Contractor does not complete the minimum work program for a given exploration period under articles 4.2, 4.3 and 4.4, the Contractor shall pay an indemnity equal to the amount of the bank guarantee as reduced in accordance with Article 4.8 and this amount will be paid by the bank which issued the bank guarantee, under the terms and within the time periods stated in the bank guarantee given for each exploration period. Once payment has been made, this Agreement will terminate and the Contractor will be released from any work commitments.

ARTICLE 5: PREPARATION AND APPROVAL OF THE ANNUAL WORK PROGRAMS AND BUDGETS

5.1. At least two (2) months before the start of each Calendar Year, or for the first year no later than two (2) months after the Effective Date, the Contractor shall prepare and submit to the Government, for approval, an Annual Work Program as well as the corresponding Budget, for the entire Delimited Region, specifying the Petroleum Operations and the cost thereof that the Contractor proposes to perform during the Calendar Year in question, or the portion of the Calendar Year in question if an exploration period ends prior to the end of said Calendar Year. In the event of renewal of the exclusive exploration permit, the Contractor shall submit, within thirty (30) days following expiration of the previous exploration period, an Annual Work Program as well as the corresponding Budget for the first Calendar Year or the portion of the first Calendar Year of the next exploration period.

5.2. If the Government wants to propose revisions or modifications to the Petroleum Operations indicated in said Annual Work Program, within thirty (30) days following receipt of said program, it shall notify the Contractor of its intent to revise or modify it, presenting all justifications deemed appropriate. In this case, the Government and the Contractor shall meet to study and agree within fifteen (15) days thereafter the revisions or modifications requested and establish, by mutual agreement, the Annual Work Program and the corresponding Budget in the definitive form, according to the Best Industry Practice in the international petroleum industry. Nevertheless, during the exploration period, the Annual Exploration Work Program and the corresponding Budget prepared by the Contractor after the meeting indicated above shall be considered to be approved insofar as they satisfy the obligations established in article 4.

Each portion of the Annual Work Program and the Budget for which the Government has not requested a revision or modification within thirty (30) days as indicated above shall be performed by the Contractor within the specified time period, subject to article 5.3.

If the Government fails to notify the Contractor of its intended revision or modification within thirty (30) days as indicated above, the Annual Work Program and the corresponding Budget submitted by the Contractor shall be considered to be approved by the Government.

5.3. The Government and the Contractor acknowledge that the knowledge obtained as the work is performed or special circumstances may justify certain changes to certain details of the Annual Work Program. In this case, after notifying the Government, the Contractor may make these changes, provided that the fundamental objectives of said Annual Work Program are not modified.

ARTICLE 6: OBLIGATIONS OF THE CONTRACTOR REGARDING THE EXPLORATION PERIODS

6.1. The Contractor is responsible for the Petroleum Operations and consequently shall provide the following for performing these operations:

- all necessary funds,
- all required machinery, equipment and materials,
- all technical support, including the necessary personnel, subject to the provisions of article 30.

6.2. The Contractor is responsible for the preparation and performance of the Annual Work Programs, which it shall perform according to the Best Industry Practice in the international petroleum industry.

6.3. The Contractor shall take all reasonable and practical measures to:

a) ensure the protection of aquifers encountered during the course of its work;

b) perform the tests necessary to determine the value of significant shows encountered during drilling and the commercial nature of discoveries of any Hydrocarbons;

c) prevent losses and discarding of Hydrocarbons produced and losses and discarding of oil-based mud or any other product used in the Petroleum Operations according to Best Industry Practice in the international petroleum industry.

6.4. All of the work and facilities established by the Contractor by virtue of this Agreement, according to their nature and circumstances, shall be constructed, installed, placed, indicated, beaconed, signalled, equipped and maintained so as to permanently allow safe passage for navigation in the Delimited Region, and notwithstanding the foregoing, the Contractor, in order to facilitate navigation, shall install audio and visual equipment approved or required by the appropriate authorities notified to the Contractor by the Government, and maintain them to the complete satisfaction of said authorities in accordance with the law in force in the Republic of Côte d'Ivoire.

6.5. In exercising its right to construct, perform work and maintain all facilities necessary for purposes of this Agreement, the Contractor may not disturb any public place such as cemeteries, religious buildings, government buildings or those used for a public utility, without the prior consent of the Government, and shall pay the indemnities dues for any damage it causes in accordance with article 29.

6.6. The Contractor, during the Petroleum Operations, shall take all measures necessary to preserve the environment and comply with Best Industry Practice in the international petroleum industry and international conventions (and their amendments) to which the Government is a party relative to ocean water pollution by Hydrocarbons.

In order to prevent pollution, the Government, after consulting with the Contractor, may decide to take any additional measures it deems necessary to ensure preservation of the environment in accordance with the laws in force in the Republic of Côte d'Ivoire and international conventions on the environment to which the Government is a party.

6.7. The Contractor and its subcontractors shall have the obligation to give preference to Ivoirian services and products, under equivalent conditions in terms of price, quality, capacity, safety, environmental performance, term of delivery and term of payment. Ivoirian services and products mean the services produced or goods produced or supplied by a company that is registered in the Republic of Côte d'Ivoire.

Unless otherwise agreed by the Government, the Contractor and its subcontracts agree to call for bids from Ivoirian and foreign bidders for supply, construction or service contracts for an estimated amount greater than five hundred thousand Dollars (US $500,000) per contract in the exploration period, and one million Dollars (US $1,000,000) per contract in the production period, with the understanding that the Contractor shall not unnecessarily divide these contracts.

Copies of all contracts related to the Petroleum Operations shall be submitted to the Government as soon as possible after the time of signature.

6.8. The Contractor agrees to give preference, under equivalent economic conditions, to purchasing goods necessary for the Petroleum Operations instead of renting or otherwise leasing them.

For this purpose, all lease agreements for an estimated amount greater than five hundred thousand Dollars (US $500,000) shall be indicated by the Contractor in the Annual Work Programs.

ARTICLE 7: RIGHTS OF THE CONTRACTOR RELATING TO EXPLORATION PERIODS

7.1. Notwithstanding the provisions of this Agreement, the Contractor shall be entitled:

- **a)** to manage and control, under its entire responsibility, the Petroleum Operations in the Delimited Region;
- **b)** to access any location within the interior of the Delimited Region in order to perform the Petroleum Operations;
- **c)** to perform all acts, facilities, work, and operations necessary to perform the Petroleum Operations both inside and outside of the Delimited Region. The Contractor may choose the location of the facilities during the exploration periods in accordance with the regulations in force in the Republic of Côte d'Ivoire at such a location subject to (i) approval by the Government, which shall not be refused without a valid reason and (ii) conditions of article 2.3 and articles 6.4 to 6.6; and
- **d)** to exercise the rights conferred hereunder, through agents and independent contractors, and consequently to pay all of the related fees and expenses in the currency of choice of the Contractor, in accordance with the provisions of article 23.

7.2. The agents, employees and representatives of the Contractor or its independent subcontractors, for the purposes of the Petroleum Operations, may freely enter or exit the Delimited Region and access all facilities established by the Contractor.

7.3. The Contractor shall be entitled, by paying royalties in effect in the Republic of Côte d'Ivoire, to remove and use soil from under standing timber forests, sand, clay, lime, gypsum, stone and other similar substances necessary for performing the Petroleum Operations.

The Contractor, after reaching an agreement with the Government, may reasonably use these materials to perform the Petroleum Operations, free of charge, when they are located on land owned by the Government and placed near the land where the Petroleum Operations are being performed.

The Contractor, without making any payment, may take or use the water needed for the Petroleum Operations, provided that existing irrigation or navigation is not disturbed and that the land, homes or livestock watering places are not deprived from a reasonable quantity of water.

ARTICLE 8: ACTIVITY REPORTS DURING EXPLORATION PERIODS AND SURVEILLANCE OF PETROLEUM OPERATIONS

8.1. Subject to the provisions of article 8.4 below, the Government shall own and freely dispose of all original data and all final technical documents related to the Petroleum Operations, including but not limited to records, samples, geological, geophysical, petrophysical, drilling and production reports.

8.2. The Contractor agrees to provide the Government with the following periodical reports:

a) daily reports on the drilling activities;

b) weekly reports on geophysical activities;

c) within thirty (30) days following each Calendar Quarter, a report on the Petroleum Operations performed, as well as a detailed statement of Petroleum Costs for the previous Calendar Quarter;

d) before the end of February of each Calendar Year, an annual report on the Petroleum Operations performed, as well as a detailed statement of the Petroleum Costs for the previous Calendar Year.

8.3. Furthermore, the following reports or documents shall be provided to the Government, when they are prepared or obtained:

a) a copy of the geological study and summary reports as well as the related maps;

b) a copy of the geophysical surveys, reports on measurements, studies and geophysical interpretation, maps, profiles, sections or other related documents, and, upon the request of the Government, the original or an official copy of the recorded seismic magnetic tapes;

c) a copy of the installation and test bore completion reports for each wellbore, as well as a full set of recorded logs;

d) a copy of the test reports or production test reports as well as any study related to the bringing of a well on-stream or into production;

e) a copy of reports related to analyses performed on core bores and fluid analysis.

All maps, sections, profiles, logs and other geophysical documents shall be provided on transparent media suitable for subsequent reproduction.

A representative portion of core bores and drilling cuttings taken from each well and samples of fluids produced during the tests or production tests shall also be provided to the Government within a reasonable time period, and no later than sixty (60) days after the closure of the wells.

Upon expiration, or in the event of waiver or termination of this Agreement, the original final technical documents and samples related to the Petroleum Operations, including magnetic tapes, if so requested, shall be sent to the Government.

After having previously advised the Contractor, the Government may at any reasonable moment, during normal working hours and in accordance with the current security regulations, access the

Contractor's files related to the Petroleum Operations, at least one copy of which shall be retained in the Republic of Côte d'Ivoire.

8.4. The Parties agree to treat as confidential and not disclose to third parties any or all of the documents and samples related to the Petroleum Operations, during all exploration periods, as defined in article 3, during all appraisal periods, during all production periods, and in the event of the waiver of one zone, until the date of said waiver with respect to the documents and samples referring to the abandoned zone.

Nevertheless, the Government and each entity comprising the Contractor may at any time authorise access to these documents and samples by third parties of their choice. These may examine the documents and samples related to the Petroleum Operations and shall agree to treat them as confidential.

Notwithstanding the above, each entity comprising the Contractor can freely disclose the confidential data and information:

i. to any company interested in good faith in a potential assignment/acquisition or in an assistance in respect of the Petroleum Operations, after obtaining from this company, a commitment to keep such data and information confidential and to use them for the sole purpose of the aforesaid assignment or assistance;
ii. to any Affiliated Company of an entity comprising the Contractor, as well as to any external professional advisor, taking part in the Petroleum Operations, after obtaining a similar confidentiality commitment from the latter;
iii. to any bank or financial institution from which the Contractor seeks or obtains financing, after obtaining a similar confidentiality commitment from such institution;
iv. when and to the extent that the regulations of a recognized stock exchange or of a supervising or auditing administrative authority require it from one of the entities comprising the Contractor or one of its Affiliated Companies;
v. in the context of any judiciary, administrative or arbitral litigation procedure or if required by applicable law.

If it so deems necessary, the Government may decide to extend the period of confidentiality indicated in this article 8.4.

8.5. The Contractor shall keep the Government informed of its activities. In particular, the Contractor shall notify the Government as soon as possible, and at least fifteen (15) days in advance, of all Petroleum Operations forecast for the Delimited Region, such as geological campaigns, seismic campaigns, commencement of drilling, platform installation and any other important operation mentioned within the approved Annual Works Program.

In the event that the Contractor decides to abandon a wellbore, it shall so notify the Government within at least forty-eight (48) hours in advance of the abandonment.

8.6. One or more duly authorised representatives of the Government may, during normal business hours, after notice to the Operator, monitor the Petroleum Operations and, at reasonable intervals, inspect the work, facilities, equipment, materials, records and books related to the Petroleum Operations, provided that it does not cause a delay that may be detrimental to proper development of such operations. This representative specifically shall be entitled to be present during the

testing and abandonment of any well. It is understood that the notice will be given to the Operator sufficiently in advance to allow compliance with the Operator's rules in relation to security, health and safety rules, and to avoid any interference, obstruction or undue delay in the carrying out of the Petroleum Operations.

In order to allow the above-mentioned rights to be exercised, the Contractor shall provide the representatives of Government with reasonable assistance, especially with regard to insurance cover, means of transport, lodging, and duly justified assignment expenses, provided such does not violate any law applicable to a Party.

8.7. The Contractor shall inform the Government as soon as possible of any discovery of mineral substances within the Delimited Region.

ARTICLE 9: LAND OCCUPANCY

9.1. The Government, without monetary consideration, shall make available to the Contractor, solely for the needs of the Petroleum Operations, the land it owns that is necessary for said Operations. The Contractor may build and maintain, above and below that land, the facilities necessary for the Petroleum Operations.

The Contractor may not request the use of such land if it actually does not need it, and it shall refrain from claiming any land occupied by buildings or properties used by the Government. It is understood that the land belonging to public institutions or agencies under State control are not considered to be Government land.

The Contractor shall compensate the Government for any damage to land caused by the construction, use and maintenance of its facilities on said land. This indemnity will make up the recoverable Petroleum Costs.

The Government shall authorise the Contractor to construct, use and maintain a telephone, telegraph and piping system, above or below ground and throughout the land not owned by the Government, without claiming any compensation, provided that the Contractor causes the least damage possible to this land and in exchange pays the owners of this land reasonable compensation established by mutual agreement.

9.2. The rights to land owned by individuals necessary to perform the Petroleum Operations shall be acquired by a direct agreement between the Contractor and the individual in accordance with current legislation in the Republic of Côte d'Ivoire. In the event of disagreement, the Contractor may seek recourse through the Government, which will use eminent domain expropriation for public utility purposes, at the expense of the Contractor. In establishing the value of these rights, its intended purpose by the Contractor shall not be taken into consideration, and the Government agrees that no law or proceedings for said acquisition shall play a role in assigning an excessive value nor a confiscation value. These rights acquired by the Government shall be recorded in its name, but the Contractor may use them for the needs of the Petroleum Operations, free of charge, throughout the duration of this Agreement. The Government warrants that the Contractor shall be protected with respect to the use and occupancy of this land as if it had title to the property.

ARTICLE 10: USE OF THE FACILITIES

10.1. For the needs of the Petroleum Operations, the Contractor shall be entitled to use, under general law conditions in the Republic of Côte d'Ivoire, any railroad, road, airport, runway, canal, river, bridge, body of water and telephone or telegraph network in the Republic of Côte d'Ivoire, whether owned by the Government or any private business, by means of paying royalties in accordance with the laws that apply in the Republic of Côte d'Ivoire or those that are fixed by agreement but which will not be higher than the prices and tariffs provided to Third Parties for similar services.

Subject to approval by the Government, the Contractor shall also be entitled to use, at its own expense and risk, in accordance with the laws and regulations that apply in the Republic of Côte d'Ivoire and in accordance with the Best Practice of the international petroleum industry, the additions and changes to the facilities that are already in existence for the transport, the treatment or the storage of the Hydrocarbons, provided that such a right does not fetter the rights of Third Parties and does not cause them prejudice and that the additions and changes are necessary for the profitable exploration of the Hydrocarbons coming from the Delimited Region.

The Contractor will also be entitled, for the needs of the Petroleum Operations, to use all overland, ocean or air transportation resources for transporting its employees or equipment, provided that it complies with the laws and regulations that apply in the Republic of Côte d'Ivoire in using these means of transport.

10.2. The Government shall have the right to use any means of transport and communication put in place by the Contractor, through the payment of fair compensation to be fixed by mutual agreement, but which shall not be higher than the prices and rates granted to Third Parties for similar services, provided that, in the opinion of the Contractor, this use by the Government does not hinder the Petroleum Operations nor prejudice them.

Under the same conditions, in the event of national need, specifically national catastrophes, cataclysmic events, domestic or foreign perils, the Contractor shall make its resources available to the Government at its request.

10.3. This Agreement shall in no way limit the Government's right to build, operate and maintain on, under and throughout land made available to the Contractor for the needs of the Petroleum Operations, roads, railroads, airports, runways, canals, bridges, flood control projects, police stations, military facilities, pipelines, telegraph and telephone lines, provided that this right is not exercised in such a way as to jeopardise or hinder the rights of the Contractor pursuant to this Agreement, or the Petroleum Operations, or is detrimental to them, except in the case of national need.

Likewise, the Government may authorise persons to construct, operate and maintain the facilities in the Delimited Region provided that this right does not compromise or hinder the rights of the Contractor pursuant to this Agreement or the Petroleum Operations, or is not detrimental to them, except in the case of national need.

<u>ARTICLE 11:</u> APPRAISAL OF A HYDROCARBONS DISCOVERY

11.1. In the event that the Contractor discovers Hydrocarbon shows in the interior of the Delimited Region, it must notify the Government as soon as possible and submit, within thirty (30) days following the date of provisional shutting in or abandonment of the discovery well, a report providing all information relative to said discovery.

11.2. If the Contractor wants to perform the appraisal work for the Hydrocarbons discovery indicated in article 11.1 above, it shall submit to the Government for approval, within twelve (12) months following the date of notification of said discovery, a permit application for the duration of said works and the corresponding estimated Budget, as well as a map establishing the boundaries of the Appraisal Perimeter, for examination and approval by the Government.

The provisions of articles 5.2 and 5.3 shall apply, *mutatis mutandis*, to said appraisal program with regard to approval and performance, with the understanding that the submitted program cannot be rejected or modified by the Government if it complies with the Best Industry Practice in the international petroleum industry.

Notwithstanding any provisions to the contrary in this Agreement, the term for notification defined in articles 11.1 and 11.2 shall apply even in the event of expiration of an exploration period. The Government and the Contractor shall agree on the provisional Appraisal Perimeter that shall remain valid while the Contractor submits the application indicated in article 11.2 until expiration of the period indicated in the first section of article 11.2.

11.3. If the Contractor meets the conditions indicated in article 11.2, the Government shall grant it an exclusive appraisal permit for a term of four (4) years from the date of approval of the appraisal work program and the corresponding Budget, for the Appraisal Perimeter established in said program. Notwithstanding any specific provisions of this article, the Contractor, throughout the validity of said exclusive appraisal permit, shall be subject to the same system as that applicable to the exclusive exploration permit.

11.3.1. If the Government grants an exclusive appraisal permit under article 11.3, the Contractor shall then diligently perform the appraisal work program for the discovery in question, specifically drill the appraisal well and perform the production tests established in said program.

At the request of the Contractor, notified at least thirty (30) days before expiration of the appraisal period defined in article 11.3 above, the duration of said period may be extended for a maximum of twelve (12) months, provided that this extension is justified by the drilling of boreholes and production tests for the appraisal program.

11.3.2. Within three (3) months from the completion of the appraisal work, and no later than thirty (30) days before expiration of the appraisal period, the Contractor shall provide the Government with a detailed report providing all information relative to the discovery and its appraisal.

11.3.3. If the Contractor believes, after performing the appraisal work, that the Field corresponding to the Hydrocarbons discovery is commercial, it shall also submit to the Government, along with the above-mentioned report, an exclusive production permit application defined in article 11.3.2 above, accompanied by a detailed development and production plan for said Field that specifically includes the following:

a) the planned boundaries of the Production Perimeter requested by the Contractor, so that it covers the area defined by the enclosure of the field identified in article 11.1, as well as all technical justification concerning the scope of said Field;

b) an estimate of the reserves in place, recoverable, proven and probable reserves, and the corresponding annual production, as well as a study of any recovery and enhancement methods for Crude Oil associated products, such as Associated Natural Gas;
c) an item-by-item description of the facilities and work necessary for production, such as the number of development wells, the number and characteristics of pads, pipelines, production, processing, storage and loading facilities;
d) the estimated performance schedule and the planned date to begin production, and
e) the estimated investments and production expenses, as well as an economic evaluation confirming the commercial nature of the discovery identified in article 11.1.

11.3.4. The commercial nature of one or more Hydrocarbon Fields shall be evaluated at the discretion of the Contractor, provided that after the appraisal work, it submits to the Government the economic study indicated in article 11.3.3 e) confirming the commercial nature of said Field(s).

A Field may be declared to be commercial by the Contractor after having considered the operational and financial data collected during the performance of the exploration programme and the appraisal program, and including but not limited to the recoverable Hydrocarbon reserves, the durable production levels, the availability of the commercial markets and other technical and economic factors and according to the Best Industry Practice in the international petroleum industry.

11.3.5. In order to evaluate the commercial nature of the Field(s), the Government and the Contractor shall meet within ninety (90) days following submission of the development and production plan accompanied by the economic evaluation.

11.3.6. The development and production plan submitted by the Contractor shall be approved by the Government, which may not be withheld without a valid reason. Within ninety (90) days following submission of said plan, the Government may propose revisions or changes to the plan, notifying the Contractor with all necessary justifications. In this case, the Parties shall meet as soon as possible to examine the revisions or modifications requested and to establish the plan in its definitive form by mutual agreement; the plan shall be considered to be approved by the Government as of the date of said agreement.
If the Government fails to notify the Contractor of its proposed revision or modification within ninety (90) days as indicated above, the development and production plan submitted by the Contractor shall be considered to be approved by the Government upon expiration of said term.

11.4. When the Contractor does not wish to perform the appraisal work for the Hydrocarbons discovery indicated in article 11.1, the provisions of article 3.8 shall be applicable.

11.5. If, after the appraisal period defined in article 11.3., the Contractor justifies that bringing the evaluated Field on-stream is not very profitable due to current economic circumstances and that other discoveries are likely to be made in the rest of the Delimited Region that will allow all of the discoveries to be cumulatively declared to be commercial, it may petition the Government to allow it to retain its rights to the area delimiting the discovery for a duration that may not under any circumstances exceed that of all of the exploration periods.

11.6. If, for reasons that are not technically justified, the Contractor:
a) has not, within twelve (12) months following notification to the Government of a Hydrocarbon discovery, applied for an exclusive appraisal permit or

b) has not begun the appraisal work for said discovery within six (6) months after having obtained the exclusive appraisal permit or
c) within eighteen (18) months after completing the appraisal work, does not declare the discovery commercially viable,

the Government may request the Contractor abandon its rights to the area presumed delimits the said discovery without any indemnity in favour of the Contractor.

If, within sixty (60) days following the Government's request, the Contractor has not requested an exclusive appraisal permit, nor commenced the appraisal works nor declared that the discovery is commercially viable, if appropriate, the Contractor shall then abandon said area and shall lose all rights to the hydrocarbons that may be produced from said discovery; any area so relinquished shall be deducted from the areas to be relinquished pursuant to article 3.5.

11.7. Any quantity of Hydrocarbons produced from a discovery before it is declared to be commercial, if it is not used for the needs of the Petroleum Operations or lost, but if it is sold, shall be measured in accordance with the provisions of article 15.9 and included in the Total Production for application of the provisions of articles 16, 17 and 21.

11.8. Notwithstanding any provisions to the contrary in this article 11, if the Contractor believes that it can directly develop and produce a Hydrocarbons discovery without first performing all of the appraisal work, it may submit an exclusive production permit application accompanied by a detailed development and production plan in accordance with article 11.3.3, provided that it is able to justify in said plan that it has compiled sufficient information, especially with regard to production tests, showing that it is not necessary to perform appraisal work.

ARTICLE 12: GRANTING AN EXCLUSIVE PRODUCTION PERMIT RELATING TO A COMMERCIAL DISCOVERY

12.1. A commercial Hydrocarbons discovery gives the Contractor the exclusive right, if it submits an application under the conditions established in article 11.3.3, to obtain for such discovery an exclusive production permit covering the corresponding Production Perimeter.

12.2. If the Contractor makes several commercial discoveries in the Delimited Region, each of them, in accordance with the provisions of article 12.1, shall entitle the Contractor to an exclusive production permit, each corresponding to a Production Perimeter. The number of exclusive production permits and of related Production Perimeters in the Delimited Region is unlimited.

12.3. If, during the course of the work subsequent to granting the exclusive production permit, it appears that the area defined by the enclosure of the Field in question is greater than that initially projected in accordance with article 11.3.3, the Government shall grant the Contractor, within the context of the exclusive production permit already issued, an additional area so that the entire Field is covered by the Production Perimeter, provided, however, that the Contractor provides the Government, along with its application, with technical documentation justifying the requested extension.

12.4. In the event that a Field declared commercial extends beyond the limits of the Delimited Region, to areas that have been attributed to other entities, the Contractor, at the Government's written request, and after submission of a development and production plan for the said Field, by the Contractor or the owner(s) of the adjacent areas, must develop the mentioned Field in

association with the owner(s) of the adjacent areas according to the provisions of a "unitization" agreement.

In this case, the Contractor and the owner(s) of the adjacent areas agree to submit a joint development and production plan ("**Joint Plan**") for approval by the Government within no more than twelve (12) months after the Government makes its request.

The Joint Plan must comply with the Best Industry Practice in the international petroleum industry and will be treated in accordance with the provisions of article 11.3.6.

If the Contractor and the owner(s) of the adjacent areas do not submit the Joint Plan for approval by the Government within twelve (12) months as indicated above, the Government will appoint an independent consultant, from the lists of four (4) consultants proposed by each of the Contractor and the owner(s) of the adjacent areas within thirty (30) days after expiry of the above-mentioned twelve (12) month period.

The consultant so appointed by the Government shall prepare, in accordance with the Best Industry Practice in the international petroleum industry and within a period of ninety (90) days, a Joint Plan, based on the previous development plans submitted by the Contractor and by the owner(s) of adjacent areas. During this procedure, the consultant shall consult with the Parties and keep them regularly informed. At the end of his or her work, the consultant must submit the Joint Plan to the Government, to the Contractor and to the owner(s) of the adjacent areas.

The Government, the Contractor and the owner(s) of the adjacent areas shall meet as promptly as possible to examine any proposed reviews and changes, and by mutual agreement, establish the final version of the Joint Plan.

12.5. In the event that a Field that is declared to be commercial extends beyond the limits of the Delimited Region into a block that has not yet been assigned or that has not yet been negotiated with another company, the Government will give priority to the Contractor, according to the conditions defined in an agreement, for said adjacent block, if the Contractor so requests.

ARTICLE 13: DURATION OF THE PRODUCTION PERIOD

13.1. The duration of an exclusive production permit, during which time the Contractor is authorised to produce a commercial Field, is set at twenty-five (25) years from the date on which it is granted as stated in article 12.

If, upon expiry of the twenty-five (25) year production period defined above, the commercial production of a Field is still possible, the Government will authorise the Contractor, upon the latter's grounded request submitted at least twelve (12) months before the mentioned expiry, to, within the framework of this Agreement, continue production of the said Field during an additional period including the remaining commercial production period for the Field, where such duration cannot exceed ten (10) years, conditional on the Contractor having fulfilled its obligations during the current production period.

If, upon expiration of this additional production period, commercial production of said Field is still possible, the Contractor may request the Government, at least twelve (12) months before said expiration, to authorise it to pursue production of said Field, within the context of this Agreement, during an additional period to be agreed.

13.2. The Contractor may at any time waive any or all of an exclusive production permit, subject to advance notice of at least six (6) months, which may be reduced with the consent of the Government. This advance notice shall be accompanied by the list of measures that the Contractor waiving the permit agrees to take, in accordance with the Best Industry Practice in the international petroleum industry, at the time of such waiver, which shall not become effective until after the required abandonment.

13.3. The exclusive production permit may be withdrawn in the following cases:
a) the stopping of the development or production work in a Field declared to be commercial, during an uninterrupted term of at least six (6) months, except in the case of Force Majeure in accordance with article 33, without the approval of the Government, or
b) the abandonment of production of a Field with the exception of the provisions of article 13.2.

In the case of a Natural Gas Field, if the Natural Gas buyer(s) were unable or were unwilling to take delivery of the Natural Gas production under normal commercial conditions for a period of at least six (6) months, the Contractor may refer the matter to the Government in writing and the Contract will be extended for a period that is equal to that during which the production work was interrupted.

13.4. Upon expiration, waiver or withdrawal of the last exclusive production permit granted to the Contractor, this Agreement shall end.

13.5. The expiration or termination of this Agreement for any reason whatsoever shall not put an end to the Contractor's obligations created before or at the time of such expiration or termination and that must be performed, especially with regard to the provisions of article 20.

13.6. In the event of waiver by the Contractor of any or all of a Production Perimeter or withdrawal or expiration of an exclusive production permit, if the Government believes that production of the Field in question may be pursued by a new operator, the Government shall be entitled to have it produced, without any consideration for the Contractor. The Parties and the new operator will consult with each other in relation to a transition plan so as to ensure production continuity. In such a case, the Contractor will be released of all commitments and all liability resulting from this Agreement, especially the abandonment obligations provided under article 20.16.

<u>ARTICLE 14:</u> PRODUCTION OBLIGATION

14.1. For any Field entailing the grant of an exclusive production permit, the Contractor agrees to perform, at its expense and its own financial risk, all Petroleum Operations that are appropriate and necessary for production of said Field.

14.2. If the Contractor establishes, during the development period or during the production period, that production of a Field is not commercially profitable, although an exclusive production permit was granted in accordance with the provisions of article 12.1, the Government agrees to not require the Contractor to continue production of this Field.

In this case, the Government, at its discretion, may withdraw the exclusive production permit in question from the Contractor, without any consideration for the Contractor, subject to sixty (60) days advance notice, and the provisions of articles 13.6 and 20 shall be specifically applicable.

<u>ARTICLE 15:</u> OBLIGATIONS AND RIGHTS OF THE CONTRACTOR RELATED TO EXCLUSIVE PRODUCTION PERMITS

15.1. The Contractor shall begin the development work presented within the development and production plan within no more than six (6) months after approval of the development and production plan set forth in article 11.3.6., and shall pursue it with the maximum diligence.

In accordance with article 14.2, the Contractor agrees to produce all of the Hydrocarbons contained in the Production Perimeter, under economically viable conditions.

15.2. The provisions of articles 5, 6, 7, 8, 9 and 10 are also applicable, *mutatis mutandis*, within the context of exclusive production permits.

15.3. The Contractor is entitled to build, use, operate and maintain all Hydrocarbons storage and transport facilities that are necessary for the production, processing, transportation and sale of the Hydrocarbons produced, in accordance with the conditions set forth in this Agreement.

The Contractor may determine the layout and placement of pipelines within the Republic of Côte d'Ivoire necessary for the Petroleum Operations, but it must submit the plans that are in accordance with Best Industry Practice in the international petroleum industry and the regulations in force in the Republic of Côte d'Ivoire to the Government for approval before beginning work; all pipelines crossing or along roads or passages (other than those used exclusively by the Contractor) shall be constructed so as to not disturb said roads or passages.

The transportation conditions and the security regulations for these projects shall be the subject of an agreement between the Parties.

15.4. The Contractor, within the limit and for the duration of the excess capacity of a pipeline or a processing, transportation or storage facility built for the needs of the Petroleum Operations, may be required to accept the passage of Hydrocarbons from production other than that of the Contractor, provided that:

a) this passage is not detrimental to the Petroleum Operations, and

b) a reasonable tariff covering normal compensation of funds invested to construct and operate the pipeline or facility is question is paid by the user.

The Contractor shall determine an order of priority should there be a passage of Hydrocarbons from one (1) or more other operations. The tariffs and the order of priority will be subject to the Government's prior approval.

15.5. Upon obtaining an exclusive production permit, the Contractor agrees to diligently perform the development drilling, spaced apart to guarantee, in accordance with the Best Industry Practice in the international petroleum industry, so as to maximise the economic recovery of the Hydrocarbons contained in the Field in question.

15.6. The Contractor must observe Best Industry Practice in conducting the development and production operations, so as to maximise the economic recovery of the Hydrocarbons, and to carry out assisted recovery studies.

15.7. The Contractor shall provide the Government with all reports, studies, results of measurements, tests, and documents that enable it to control proper production of each Field.

The Contractor must specifically take the following measures in each production well:

a) monthly test of production and of gas/oil ratio, and
b) semi-annual measurement of the reservoir pressure of the Field.

15.8. The Contractor agrees, from each Field, to produce annual quantities of Hydrocarbons according to the provisions of article 15.6.

The annual production rates of each Field shall be submitted by the Contractor, together with the Annual Work Programs indicated in article 5, for approval by the Government, which shall not be refused if the Contractor provides technically and economically justified arguments.

15.9. The Contractor shall measure, by using, after Government approval, a measuring instrument, the measuring tools and procedures in accordance with Best Industry Practice in the international petroleum industry, at a point established by mutual agreement between the Parties, all Hydrocarbons produced after extracting water and sediments, with the exception of:

a) Hydrocarbons used for the Petroleum Operations, and
b) inevitable losses.

The Government shall be entitled to examine these measures and to verify the devices and procedures used, or have them verified.

If the Contractor wishes to modify said measurement devices and procedures, it shall first obtain the approval of the Government.

When the devices and procedures used have resulted in an over- or under-estimate of the measured quantities, the error shall be considered to exist as of the date of the last calibration of the devices, unless otherwise justified, and the appropriate adjustment shall be made for the period during which this error exists.

<u>ARTICLE 16:</u> RECOVERY OF PETROLEUM COSTS RELATING TO CRUDE OIL AND PRODUCTION SHARING

16.1. Since beginning regular production of Crude Oil, the Contractor shall sell all production of Crude Oil obtained from the Delimited Region, in accordance with the provisions below defined.

16.2. To recover the Petroleum Costs, the Contractor may take, free of charge every Calendar Year, a portion of the production of Crude Oil which under no circumstances shall exceed seventy-five percent (75%) of the Total Production of Crude Oil of the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs actually incurred and paid.

If, during the course of a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article, exceed the equivalent ofseventy-five percent (75%) of the value of the Total Production of Crude Oil from the Delimited Region, the balance of the

Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the following Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be added to the Development Expenditures that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 16.2.

16.3. The quantity of Crude Oil from the Delimited Region remaining during the course of each Calendar Year after the Contractor has taken from the Total Production of Crude Oil the portion necessary for recovery of the Petroleum Costs in accordance with the provisions of article 16.2, hereinafter referred to as "**Remaining Production**," shall be shared between the Government and the Contractor in the following manner:

Portion of Total Daily Production of Crude Oil (in Barrels/day)	Contractor's Participating Interest in the Remaining Production
From 0 to 50,000	**62%** multiplied by H
From 50,001 to 100,000	**57%** multiplied by H
From 100,001 to 150,000	**52%** multiplied by H
Over 150,000	**47%** multiplied by H

The "**H**" factor is defined as follows:

- for a Crude Oil price between $50 and $200 per barrel:
  H = 1.629 – 0.141 Ln (Deflated Crude Oil price in December 2011),
  Ln being the natural Logarithm.

In any event, it is understood that:

- for a price of Crude Oil less than $50 per barrel: **H = 1.08**
- for a price of Crude Oil greater than $200 per barrel: **H = 0.88**

The deflation is calculated based upon the "Consumer Price Index, **CPI**" of the United States of America (USA) according to the following formula:

$$P(M, \text{Dec } 2011) = \frac{P(M) \times CPI(\text{Dec } 2011)}{CPI(M)}$$

where:

P(M, Dec 2011): Crude Oil price for month M deflated for December 2011;

P (M): Crude Oil price for month M;
CPI (M): U.S. Consumer Price Index for month M;
CPI (Dec. 2011): U.S. Consumer Price Index for December 2011.

Unless otherwise agreed, the Consumer Price Indices of the United States of America (CPI) are provided by the "US Bureau of Labor Statistics/All Urban Consumers/U.S. city average/All items" on the website "www.bls.gov/cpi".

In the event the above-mentioned index no longer exists, the Parties shall agree to choose another index within ninety (90) days following the date on which the index ceased to exist. If no agreement on a new substitution index is reached within ninety (90) days, the Parties may, in respect of Petroleum Costs, hire an independent consultant so as to propose, within ninety (90) days, a similar index that will be imposed on the Contractor.

In the event agreement is not reached concerning the above-mentioned ninety (90) days, the Government will, within thirty (30) days appoint a consultant to propose a new index within sixty (60) days after their appointment by the Government. The consultant's costs and expenses are Petroleum Costs that are recoverable under this Contract.

When the cumulative production of Crude Oil in the Delimited Region reaches twenty-five (25) million barrels, the Contractor's share in the Remaining Production (before application of the H factor) shall decrease by one half of one percent (0.5%) for each applicable portion of production.

When the cumulative production of Crude Oil in the Delimited Region reaches fifty (50) million barrels, as well as for each twenty-five (25) million incremental barrels, the Contractor's share in the Remaining Production (before application of the H factor) shall decrease by one percent (1%) for each applicable portion of production up to a cumulative limit of one hundred and fifty (150) million barrels is reached.

When the cumulative production in the Delimited Region reaches one hundred and fifty (150) million barrels, no further reduction of the Contractor's share shall be applied.

By way of example, for a daily production that amounts to between 0 and 50,000 barrels/day, the Contractor's share in the Remaining production is of 62% multiplied by H.

When cumulative production reaches 25,000,000 barrels, the Contractor's share in the Remaining production becomes:

- **62**% - (**62**% x 0.5%) = 61.69**% multiplied by H**

When cumulative production reaches 50,000,000 barrels, the Contractor's share in the Remaining production becomes:

- **61.69**% - (**61.69**% x 1%) = 61.0731**% multiplied by H**

When cumulative production reaches 75,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 61.0731% - (61.0731% x 1%) = 60.462369**% multiplied by H**

When cumulative production reaches 100,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 60.462369% - (60.462369% x 1%) = 59.85774531**% multiplied by H**

When cumulative production reaches 125,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 59.85774531% - (59.85774531% x 1%) = 59.2591678569**% multiplied by H**

When cumulative production reaches 150,000,000 barrels, no reduction will be made to the Contractor's share in the Remaining production, and the Contractor's share in the Remaining Production is maintained at 59.2591678569**% multiplied by H**

The State's share in the Remaining Production is equal to the Remaining Production after recovery of the Petroleum Costs, less the Contractor's share as calculated above.

For application of this article, the Total Daily Production of Crude Oil shall be the average rate of daily Total Production of Crude Oil at the wellheads during the Calendar Month in question.

Thus, for a given Total Daily Production of Crude Oil, the Contractor shall take the portion necessary for recovery of the Petroleum Costs as provided in article 16.2, in each portion of Total Daily Production of Crude Oil defined in the table above before sharing the Remaining Production between the Government and the Contractor according to the rates agreed as above.

For purposes of applying the tax legislation of the Republic of Côte d'Ivoire, the quantity of Crude Oil that the Government shall receive during the course of each Calendar Year, pursuant to this article 16.3, shall include the portion necessary to pay all tax(es) of the Contractor in the Republic of Côte d'Ivoire that may be imposed on its income. The Government agrees to pay on this portion all income tax(es) in the name and on behalf of the Contractor, and to send the Contractor the official vouchers for these payments as set forth in article 17.6. In order to determine the value of said portion necessary for payment of income tax, the Government shall use the sales price defined in article 18. The share of Crude Oil made available to the Government representing income tax shall be determined separately and specified in accordance with the provisions of this article.[NOTE: FOR DISCUSSION ON 18 DECEMBER 2017]

However, notwithstanding the above, it is agreed that each entity constituting the Contractor may choose to pay directly in cash the tax on its industrial and commercial profits for any given Fiscal Year.

In this case, the tax will be paid by the entity concerned in instalments:

- simultaneously to the payments to be made by PETROCI under article 16.6 below; or

- within forty-five (45) days running from the date the Government removed its part in the Remaining Production, in the event that the Government, in accordance with article 16.5, chooses to receive all of its share in kind.

The instalment amounts to be paid, as stated above, will each be equal to the value based on the selling price defined in article 18 below, of the portion the Government received as its share in the Remaining Production, for the payment of the entity concerned.

As soon as the entity in question has paid the required instalment as a result of the above, the Government shall remit to that entity, in compensation, an amount identical to the aforementioned portion that the Government has previously received. The determination of the quantity of Crude Oil and the allocation of Crude Oil to this entity will be made as much as possible during the first collection following the payment of the income tax.

At the end of the Fiscal Year, where the instalment amounts the entity has paid for the Fiscal Year in question is higher or lower than the amount of the tax actually due, an appropriate adjustment will be made either by the entity settling the balance, either by the entity or the Government paying the equivalent amount. No adjustment will occur after the end of the Agreement.

16.4. The Government may receive its share of production defined in article 16.3, either in cash or kind, with the understanding that for budget purposes, fifteen percent (15%) of this share of production shall be allocated to the State's *Fonds d'Actions Pétrolières* [Petroleum Share Fund] and shall not entail any additional charge for the Contractor.

16.5. If the Government wants to receive any or all of its share of production defined in article 16.3 in kind, it shall advise the Contractor to this effect in writing at least ninety (90) days before the start of the Calendar Quarter in question, specifying the exact quantity it wishes to receive in kind during said Calendar Quarter.

For this purpose, the Contractor shall not sign any commitment to sell the Government's share of production with a term longer than one (1) year without the Government's written consent.

16.6. If the Government wishes to receive any or all of its share of production defined in article 16.3 in cash, or if the Government has not notified the Contractor of its decision to receive its share of production in kind in accordance with article 16.5, PETROCI is required to sell the Government's share of production and to pay it, within thirty (30) days after receipt of payment, the amount equal to the quantity corresponding to the Government's share of production multiplied by the sales price defined in article 18 less the charges incurred by such operation.

ARTICLE 17: TAX SYSTEM

17.1. Subject to any provisions to the contrary in this Agreement, the Contractor, as a result of its Petroleum Operations, shall be subject to the applicable laws and regulations in effect in the Republic of Côte d'Ivoire with respect to Duties and Taxes, and including the requirements relating to providing tax returns as well as the calculation of taxes and tax contributions and the Contractor shall file any declarations that may be required for this purpose.

It is specifically acknowledged that the provisions of this article apply individually with respect to all entities comprising the Contractor pursuant to this Agreement.

The Contractor shall maintain, by Fiscal Year, separate accounting from the Petroleum Operations, in accordance with current legislation in the Republic of Côte d'Ivoire, especially

in order to establish a production and income account as well as a balance sheet showing the results of the Petroleum Operations as well as the assets and liabilities allocated or related thereto.

17.2. For application of the provisions of article 17.1, the Contractor, according to its net earnings derived from the Petroleum Operations, is subject to direct taxation on industrial and commercial earnings as established in the General Tax Code.

In accordance with the provisions of article 16.3 and 21.3.1, the Contractor shall not be subject to any payment to the Government for said tax. From the point of view of the tax authorities of the Republic of Côte d'Ivoire, the share of Hydrocarbons that the Contractor is authorised to receive pursuant to the provisions of articles 16.2, 16.3, 21.1.5, 21.2.4 and 21.3.1 is considered to represent the recovery of Petroleum Costs and the net earnings reverting to the Contractor after tax on industrial and commercial income.

17.3. In order to determine the net taxable earnings of the Contractor for a Fiscal Year, the production and income account shall be credited with:

a) the gross annual revenue of the Contractor reported in its accounting books, from the sale of the quantity of Hydrocarbons it has pursuant to the articles 16.2, 16.3 and 21.3.1.

The Contractor shall endeavour to obtain an export price for the Crude Oil that most closely reflects the international market rate at the time of establishing the price.

b) all other revenue or proceeds related to the Petroleum Operations, especially including those from:

- the sale of related substances;
- the processing, transportation or storage of products for Third Parties at the facilities allocated to the Petroleum Operations.
- Subject to article 17.7, gains realised at the time of assigning or transferring any assets of the Contractor, or the full or partial assignment of the rights and obligations arising out of this Agreement. Nevertheless, a gain cannot result from any transfer (i) that does not entail an actual payment in cash or kind by the transferee to the transferor or recovery of a liability already booked by the transferor or (ii) that cannot be considered in any way a financial profit;
- foreign exchange gains realised from the Petroleum Operations.

c) the value of the share of Hydrocarbons taken by the Government, in accordance with the last section of article 16.3 and the penultimate section of article 21.3.1, in payment of the income tax indicated in article 17.1 for the Fiscal Year in question.

17.4. This same production and income account shall be debited in the amount of all charges required for the needs of the Petroleum Operations for the Fiscal Year in question, the deduction of which is authorised by applicable laws in the Republic of Côte d'Ivoire and the provisions of this Agreement.

The charges that may be deducted from income for the Fiscal Year in question specifically include the following:

a) Besides the charges explicitly indicated below in this article 17.4, all other Petroleum Costs, including the cost of supplies, personnel and labour expenses, and the cost of services provided to the Contractor for the Petroleum Operations. Nevertheless:

- the cost of supplies, personnel and services provided by Affiliated Companies shall be deductible insofar as they do not exceed those normally invoiced under free market conditions between an independent buyer and seller for the identical or similar services.
- fixed asset expenses shall be amortised as of the start of commercial production in the Delimited Region. The amortisation deductible for the Fiscal Year in question shall be equal, at most, to the difference, if positive, between the amount of the Petroleum Costs recovered for the Fiscal Year in question pursuant to article 16.2, and the total of other amounts charged to the production and income account in accordance with this article 17.4.

b) The overheads related to the Petroleum Operations performed within the context of this Agreement, including in particular:

- the leasing expenses for movable and immovable property and insurance premiums, and
- a reasonable share, in relation to the services rendered for the Petroleum Operations performed in the Republic of Côte d'Ivoire, wages and salaries paid to directors and employees residing abroad, and administrative overheads of the central offices of the Contractor and the Affiliated Companies working on its behalf, located abroad, and the indirect expenses incurred by said central offices abroad on their behalf. The overheads paid abroad may not under any circumstances be greater than the limits established in the Accounting Procedure.

c) The actual amount of interest and commission fees paid to the creditors of the Contractor, within the limits established in the Accounting Procedure. Shareholders and Affiliated Companies shall not be considered as "third parties" pursuant to article 72.3 of the Petroleum Code and, as a result, any advances and loans made to them outside of the Republic of Côte d'Ivoire shall not be submitted for approval by the petroleum administration indicated in said article, but shall be declared to it and, in accordance with the previous section, shall also be subject to the limitations established in the Accounting Procedure.

d) Losses of equipment or assets resulting from destruction or damage, assets to be waived or abandoned during the year, irrecoverable receivables, compensation paid to Third Parties for damages.

e) Reasonable and justified provisions established to cover clearly identified subsequent losses or expenses that are likely according to current situations, especially provisions for abandonment costs established pursuant to article 20.8.

f) Any other losses or charges directly related to the Petroleum Operations, as well as bonuses and amounts paid during the Fiscal Year pursuant to article 19 and articles 30.2, 30.3 and 30.4, with the exception of the amount of direct income tax determined in accordance with the provisions of this article.

g) The uncleared amount of losses from prior Fiscal Years in accordance with the legislation of the Republic of Côte d'Ivoire.

17.5. The net taxable income of the Contractor shall be equal to the difference, if positive, between the total amounts credited and the total amounts debited to the production and income account. If this amount is negative, it constitutes a loss.

17.6. Within three (3) months following the close of a Fiscal Year, each entity comprising the Contractor shall send the appropriate tax authorities its annual income tax declaration, accompanied by financial statements, as required by current legislation in the Republic of Côte d'Ivoire.

The Government, after examining said annual declaration and ascertaining payment of the tax, shall issue to the Contractor, within a reasonable time period, the tax vouchers and all other documents showing that the Contractor has performed, for the Fiscal Year in question, all of its fiscal obligations in terms of the industrial and commercial income tax as defined in this article. These tax receipts issued in the Contractor's name will state the amount of tax paid on income and will present the information and related matters in detail.

17.7. Outside of the industrial and commercial income tax as defined in this article and the bonuses indicated in article 19, the Contractor shall be exempt from all national, regional or municipal taxes, duties, levies or contributions of any type imposed on the Petroleum Operations and all related income or, more generally, property, durable goods (including offshore storage vessel), activities or actions of the Contractor (including its establishment and operation for performance of this Agreement).

The agents, subcontractors, suppliers and Affiliated Companies of the Contractor shall also be exempt from all national, regional or municipal taxes, duties, levies or contributions of any type imposed on the Petroleum Operations and all related income, in particular including but not limited to turnover tax, value added taxes (VAT), tax on banking transactions Taxes sur les opérations bancaires, (or TOB), tax on non-commercial income (BNC), tax on credit income (IRC) and on industrial and commercial income (BIC), due on sales or purchases, work performed and services rendered to the Contractor within the context of this Agreement.

Pursuant to the foregoing, the Contractor is presumed to have paid, in the name and on behalf of its agents, subcontractors and suppliers and Affiliated Companies, the taxes described above by allocating to the Government the share of Hydrocarbons due to it pursuant to articles 16.3 and 21.3.2 below; consequently, the benefit of the certificate issued by the Government to the Contractor by virtue of the payment of taxes on the portion of Hydrocarbons attributed to it pursuant to articles 16.3 and 21.3.1 extends to the agents, subcontractors, suppliers and Affiliated Companies of the Contractor.

Shareholders of the entities comprising the Contractor and their Affiliated Companies shall also be exempt from all taxes, duties, levies and contributions for dividends received, credits, loans and related interest, purchases, transportation of Hydrocarbons for export, services rendered and in general, on all income and activities in the Republic of Côte d'Ivoire related to the Petroleum Operations.

In addition to the exemptions provided for under the Petroleum Code, assignments of all types between the companies that are party to this Agreement, themselves or between them and their

Affiliated Companies, as well as any other transfer carried out in accordance with the provisions of article 35, shall be exempt from all duties or taxes due for this purpose. Assignments of all types between the companies that are party to this Agreement and Third Parties shall be subject to payment of fees as defined in article 35.

Pursuant to the provisions of this article and the provisions relative to the customs system, the Contractor shall submit for approval by the Director General of Hydrocarbons a list of subcontractors, suppliers and Affiliated Companies providing goods and services within the context of performance of this Agreement. Such approval shall not be unreasonably withheld and if not approved within forty five (45) days shall be deemed approved. A copy of the approved list shall be forwarded by the Director General of Hydrocarbons to the General Tax Office and also to the General Customs Office. This list shall be subject to revision and periodic amendment as the Agreement is performed.

17.8. As an exception to the foregoing provisions, property taxes shall be due under the conditions of ordinary law on residential property in force in the Republic of Côte d'Ivoire, and the above-mentioned exemptions do not apply to duties, taxes and fees due in exchange for services rendered by Ivoirian government administrations, collectivities and public institutions.

Nevertheless, the tariffs applied in this respect vis-à-vis the Contractor and its contractors, transporters, clients and agents shall remain reasonable in relation to the services rendered and shall correspond to tariffs generally applied for these same services by said government administrations, collectivities and public institutions.

ARTICLE 18: SALES PRICE OF CRUDE OIL

18.1. For the purposes of this Agreement, and especially for application of articles 16.2, 16.6, 17, 22 and 27, the price of the Crude Oil shall be the "**Market Price**" F.O.B. at the point of Delivery of the Crude Oil, expressed in Dollars per barrel and payable at thirty (30) days from date of Bill of Lading, as determined below for each Calendar Quarter.

A Market Price shall be determined for each type of Crude Oil or blend of Crude Oils.

18.2. The Market Price applicable to Crude Oil lifted during a Calendar Quarter shall be calculated at the end of said Calendar Quarter and shall be equal to the weighted average sales price of Crude Oil from the Delimited Region obtained during said Calendar Quarter by the Contractor and the Government from independent buyers, adjusted to reflect the differences in quality and density as well as the F.O.B. delivery terms and payment terms, provided that the quantities sold in this manner to independent buyers during the Calendar Quarter in question represent at least thirty percent (30%) of the total quantities of Crude Oil from the Delimited Region sold during said Calendar Quarter.

18.3. In the event that these sales to independent buyers are not performed during the Calendar Quarter in question or do not represent at least thirty percent (30%) of the total quantities of Crude Oil from the Delimited Region sold during the course of the said Calendar Quarter, the Market Price shall be determined, for sales of Crude Oils of a quality similar to the Crude Oil of the Delimited Region intended for the same markets as those on which the Ivoirian Crude Oil would normally be sold, based upon prices applied on the international market during this Calendar Quarter between independent buyers and sellers published during this Calendar Quarter in the "Platt's Oilgram Price Report" or any other document agreed between the Parties, adjusted

to take into account any differences in quality, density and transportation as well as the terms of sale and payment.

The government and Contractor shall select these reference Crude Oils at the beginning of each Calendar Year.

18.4. The following transactions shall specifically be excluded from the calculation of the Market Price of Crude Oil:

- **a)** sales in which the buyer is an Affiliated Company of the seller and the sales between entities comprising the Contractor;
- **b)** sales on the Ivorian domestic market pursuant to article 27.1, and
- **c)** sales entailing compensation other than payment in freely convertible currency and sales motivated, in whole or in part, by considerations other than the economic incentives that are usual in sales of Crude Oil on the international market (such as foreign exchange contracts, government to government sales or to governmental agencies).

18.5. Within (10) days following the end of each Calendar Quarter, the Government and the Contractor shall notify each other of the prices obtained for their share of production of Crude Oil from the Delimited Region sold to independent buyers during the Calendar Quarter in question, indicating for each sale the identity of the buyer, the quantities sold, the delivery and payment conditions.

Within twenty (20) days following the end of each Calendar Quarter, the Contractor shall determine, in accordance with the provisions of article 18.2 or article 18.3, whichever relevant, the Market Price applicable to the Calendar Quarter in question, and shall notify the Government of this Market Price, indicating the calculation method and all information used in calculating the Market Price.

Within thirty (30) days following receipt of the notice indicated in previous section, the Government shall verify the accuracy of the calculation of the Market Price and shall notify the Contractor of its acceptance or objections. If the Government fails to notify the Contractor within thirty (30) days, the Market Price indicated in the Contractor's notice in the previous section shall be deemed to be accepted by the Government.

In the event that the Government notifies objections to the Market Price, the Government and Contractor shall meet within fifteen (15) days following notification from Government to reach a mutual agreement on the Market Price. If the Government and Contractor do not reach an agreement on the Market Price applicable to a given Calendar Quarter within seventy-five (75) days following the end of this Quarter, the Government, or the Contractor, may immediately submit the matter to an expert, appointed in accordance with the following section, to determine the Market Price (including the determination of reference Crude Oils if the Government and Contractor have not determined it). The expert shall determine the price within thirty (30) days after the appointment, and his conclusions shall be final and binding upon the Government and Contractor. The expert shall render a decision in accordance with the provisions of this article.

The expert shall be chosen by agreement between the Government and Contractor or, if an agreement cannot be reached, by the International Centre for Technical Expertise of the International Chamber of Commerce (Chambre de Commerce Internationale or "**CCI"**) in accordance with its Expertise Regulations, at the request of the Government or the Contractor to do so. The expert's fees shall be borne by the Contractor and included in the Petroleum Costs.

18.6. In the event that it is necessary to provisionally calculate during a Calendar Quarter the Crude Oil price applicable to quantities lifted during said Calendar Quarter, said price shall be established as follows:

a) for all sales to independent buyers, the price applicable to this sale shall be the price obtained for the Crude Oil for said sale, adjusted to reflect the F.O.B. terms of delivery and the payment terms at thirty (30) days;

b) for all quantities lifted other than those quantities sold to independent buyers, the price applicable to this quantity lifted shall be the Market Price in effect in the previous Calendar Quarter or, if this Market Price has not been determined, a price established by mutual agreement between the Government and Contractor or, in the absence thereof, the last known Market Price.

When the Market Price for a Quarter has been definitively determined, any adjustments shall be made within thirty (30) days after the date of determining the Market Price.

ARTICLE 19: SIGNATURE BONUS

19.1. By way of signing bonus, the Contractor, with the exception of PETROCI, shall pay the amount of one million five-hundred thousand Dollars (US$ 1,500,000) to the competent department of the General Tax Direction of the Republic of Côte d'Ivoire, in accordance with articles 1056 and 1057 of the General Tax Code, within thirty (30) days following the Effective Date.

19.2 The payment indicated in article 19.1 is not recoverable and may not under any circumstances be considered as a Petroleum Cost, but shall be taken into consideration in calculating the tax in accordance with article 17.4.f).

ARTICLE 20: OWNERSHIP AND ABANDONMENT OF ASSETS

20.1. Title to all movable and immovable property acquired by the Contractor within the context of the Petroleum Operations, whether inside or outside of the Delimited Region, shall once per Calendar Year be transferred to the Government when the first of the following events occur:

a) the recovery by the Contractor of all of the corresponding Petroleum Costs; or

b) the waiver of any or all of the Delimited Region; or

c) upon expiration of this Agreement, or

d) upon termination of this Agreement.

The title shall be transferred free of any pledge or guarantee on the assets being transferred.

The provisions set forth in the first section of this article 20.1 shall not be applicable to assets owned by Third Parties or Affiliated Companies that are leased to the Contractor or made available to it within the context of the Petroleum Operations.

20.2. Despite the transfer of title referred to in article 20.1, the Contractor will have priority use of the said movable and immovable assets free of charge, within the framework of this Agreement subject to providing upkeep and maintenance in accordance with the Best Industry Practice of the international petroleum industry.

The Contractor may use said assets for the needs of its Petroleum Operations in the Republic of Côte d'Ivoire governed by other agreements by means of the Government billing a leasing fee, which shall not be greater than the fees billed by Third Parties for similar assets.

20.3. In the event that the assets mentioned in article 20.1 are used as collateral to Third Parties for financing the Petroleum Operations, the title to these assets shall not be transferred to the Government until after the Contractor completely repays the loans guaranteed by them and the guarantees are released. The Parties agree that collateral on loans contracted for financing the Petroleum Operations, before being implemented, must first be approved by the Government.

20.4. The transfer of title to the assets shall be documented in reports signed by the Government and the Contractor. The Contractor shall, every Calendar Year perform an inventory and appraisal of the movable and immovable property owned by the Government to the extent the same is required for insurance purposes.

20.5. If, upon waiver of the Delimited Region by the Contractor, the expiry or termination of this Agreement, the Government decides to not pursue the Petroleum Operations or to not retain the assets transferred to it in accordance with article 20.1, it shall notify the Contractor within no more than one hundred twenty (120) days following the date of written notification to the Government by the Contractor of its decision to waive the Delimited Region. In this case, the Contractor shall then be responsible for performing the abandonment work in accordance with the Best Industry Practice of the international petroleum industry and to remove the facilities, at its expense, corresponding to the abandoned zone that the Government decides to not accept.

20.6. The Contractor is responsible for dismantling and removing the facilities it erected or constructed within the context of its Petroleum Operations. For this purpose, it shall finance the costs related to the abandonment, and shall also remediate the site, in accordance with current pertinent legislation of the Republic of the Cote d'Ivoire and the Best Industry Practice of the international petroleum industry.

20.7. The development and production plan submitted to the Government by the Contractor in accordance with article 11.3.3 shall include a comprehensive abandonment plan (the "**Abandonment Plan**") relative to all developments and facilities in the Production Perimeter required by the Contractor as well as a remediation plan for the sites related to its Petroleum Operations**.**

Said Abandonment Plan shall be updated within the context of the Annual Work Programs and Budget in accordance with article 5, taking into account operational developments and changes in Best Industry Practice of the international petroleum industry.

20.8. In order to finance the cost of the abandonment work, an escrow account shall be established and funded by the Contractor during the production period of the Field, from the time production begins in the Field in question. This escrow account shall be opened and held

in a first class bank in the Republic of Côte d'Ivoire designated by the Contractor and approved by the Government.

As of the month of January following the date of the start in production in the Delimited Region, the Contractor shall deposit, each Calendar Quarter, a provision in the interest-bearing escrow account opened in the name of the Parties.

This escrow account, intended to cover the cost for abandoning the site, shall be jointly managed by the Government and the Operator, and funds may only be withdrawn, in the Parties' mutual agreement, exclusively to finance site abandonment activities approved by the Government.

Furthermore, the Government shall co-sign with the Contractor all requests to withdraw funds from the escrow account.

20.9. The total amount to be deposited in the escrow account shall be equal to the abandonment costs included in the approved development and production plan.

20.10. If the Delimited Region includes more than one Production Perimeter, the amount of the provision shall be subsequently increased in order to reflect the cost of fixed assets for the development of all of the Production Perimeters. Likewise, the total amount shall be adjusted each Calendar Year to reflect the new estimated abandonment costs in accordance with the Work Programme and Budget as approved by the Government.

20.11. The Contractor's annual contribution to the escrow account, hereinafter referred to as "**CACS**," for a given Calendar Year shall be calculated by means of the following formula:

CACS = (MGP - MCPV) PT/VRR where:

MGP is the total amount of the provision established in accordance with articles 20.9 and 20.10 for the given Calendar Year.

MCPV represents the cumulative amount of provisions deposited by the Contractor in the escrow account during prior Calendar Years (taking into account interest and other amounts accruing on deposits in the account),

PT is the Total Production for the Calendar Year in question in the Annual Work Program and the approved Budget, in accordance with article 5.

VRR is the estimated volume of remaining recoverable reserves in the Delimited Region that may be produced during the remaining term of the Agreement.

20.12. For each Calendar Year, and no later than the fifteenth (15 th) day of each Calendar Quarter, the Contractor shall deposit in the escrow account twenty-five percent (25%) of the CACS for that Calendar Year.

20.13. The contributions paid by the Contractor in the escrow account shall be recoverable Petroleum Costs in accordance with articles 16 and 21 of this Agreement.

20.14. All interest or expenses of any type incurred, or other income generated in relation to the escrow account shall be held in said account.

20.15. In the event that the cumulative amount of the escrow account is insufficient to perform the abandonment operations in the Delimited Region, the Contractor shall be required to satisfy the additional charges and expenses necessary to complete said operations within the term specified in the Abandonment Plan.

In the event that the amount of the escrow account is greater than the actual cost for abandoning the site, the balance in this account shall be shared in accordance with the last quantities lifted in accordance with the provisions of article 16.3 or of article 21.3.1, as the case may be.

20.16. If the Government decides that some or all of the facilities are to be returned to it upon expiration of the Agreement for any reason whatsoever, the balance of the escrow account will be transferred in whole or in part, after the financing of the total or partial abandonment, this partial abandonment having to be performed in accordance with the specific elements detailed in the Abandonment Plan, that is required of the Contractor, to the Government which will assume full responsibility for the abandonment of the asset thus delivered.

20.17. The temporary or permanent well abandonment programs shall be submitted at the same time as the drilling programs for said wells. The well abandonment work shall be supervised by the Government, at the expense and under the responsibility of the Operator. The results of the well abandonment work shall be submitted to the Government representative and approved by the latter or its representatives.

Save for the provisions under articles 20.1, 20.5 and 20.16, at the end of the Petroleum Operations, the Contractor shall perform the definitive abandonment work for all wells and all facilities related to the Petroleum Operations.

ARTICLE 21: NATURAL GAS

21.1. Non-associated Natural Gas

21.1.1. In the event of a discovery of Non-associated Natural Gas, the Contractor shall enter into discussions with the Government in order to determine whether the appraisal and production of said discovery is potentially commercial.

21.1.2. If the Contractor, after the above-mentioned discussions, believes that the appraisal of the Non-Associated Natural Gas discovery is justified, it shall undertake the appraisal work program for said discovery, in accordance with the provisions of article 11.

The Contractor shall be entitled, in order to evaluate the commerciability of the Non-Associated Natural Gas discovery, if it so requests at least thirty (30) days before expiration of the third exploration period indicated in article 3.3, to be granted an exclusive appraisal permit in relation to the Appraisal Perimeter of the above-mentioned discovery, for a duration of four (4) years.

Furthermore, the Contractor shall evaluate the possible outlets for the Non-Associated Natural Gas from the discovery in question, both on the local market and for export, as well as the means necessary for sale, and the Parties shall consider the possibility of jointly selling their shares of production in the event that the discovery of Non-Associated Natural Gas is not otherwise commercially producible. For this purpose, a Natural Gas advisory committee shall be established by the Parties to ensure, if appropriate, that it is coordinated and implemented.

21.1.3. After the appraisal work provided for in article 21.1.2, in the event that the Contractor decides to develop and produce this Non-Associated Natural Gas, the Contractor before the end of the appraisal period, shall submit an exclusive production permit application that the Government shall grant under the conditions set forth in article 12.1.

The Contractor shall then have the right and obligation to proceed with development and production of this Non-Associated Natural Gas in accordance with the approved development plan as set forth in article 11.3, and the provisions of this Agreement applicable to Crude Oil

shall apply *mutatis mutandis* to the Non-Associated Natural Gas, subject to the special provisions set forth in article 21.1.

21.1.4. If the Contractor believes that the appraisal of the Non-Associated Natural Gas discovery in question is not justified, the Contractor shall abandon its rights to the area surrounding said discovery, upon expiration of the exclusive exploration permit.

If the Contractor, after the appraisal work, provided for in article 21.1.2 believes that the Non-Associated Natural Gas discovery is not commercial, the Contractor shall abandon its rights to the area surrounding said discovery, either upon expiration of the exclusive exploration permit or upon expiration of the exclusive appraisal permit relative to said discovery, if the same is after the former, unless said area is included in an exclusive production permit prior to this date.

In each case, the Contractor shall lose all rights to the Non-Associated Natural Gas that may be produced from said discovery, and the Government may then perform all appraisal, development, production, processing, transport and marketing work relating to this discovery, or have such work performed, without any consideration given to the Contractor, provided, however, that it does not jeopardise performance of the Petroleum Operations of the Contractor.

If, after the appraisal work performed on a discovery, the Contractor believes that the Non-Associated Natural Gas Field is potentially commercial, but the current commercial outlets do not allow profitable production of said Field, the Contractor may:

a) either request the Government to hold this Field for a period of five (5) years to allow it to research sufficient outlets for profitable production of said Field; this period may be renewed provided that the Contractor justifies its efforts to achieve this objective. After this period ends, the Contractor shall abandon all of its rights to the area surrounding the discovery;

b) or immediately abandon its rights to the area surrounding the discovery.

21.1.5. In order to recover the Petroleum Costs related to the Non-Associated Natural Gas, the Contractor may take, free of charge each Calendar Year, a portion of the production of Non-Associated Natural Gas that under no circumstances may exceed eighty-five percent (85%) of the Total Production of Non-Associated Natural Gas of the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs related to the Non-Associated Natural Gas actually incurred and paid.

If, during a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article exceed the equivalent of eighty-five percent (85%) of value of the Total Production of Non-Associated Natural Gas from the Delimited Region, calculated as indicated above, the balance of the Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the subsequent Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be

added to the Development Expenditures that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 21.1.5

21.2. Associated Natural Gas

21.2.1. In the event of a commercial discovery of Crude Oil, the Contractor shall specify in the report indicated in article 11.3.3 whether the production of Associated Natural Gas (after processing said Associated Natural Gas in order to separate the Hydrocarbons that may be considered as Crude Oil pursuant to articles 16.2 and 16.3) is likely to exceed the quantities necessary for the needs of the Petroleum Operations relating to the production of Crude Oil (including the reinjection operations), and whether it believes that this surplus is likely to be produced in commercial quantities.

In the event that the Contractor has notified the Government of such surplus, the Parties shall jointly evaluate the possible outlets for this surplus Associated Natural Gas, both on the local market and for export (including the possibility of jointly selling their shares of production of this surplus Associated Natural Gas in the event that this surplus is not otherwise commercially producible), as well as the means necessary for sale.

In the event that the Parties agree that the development of the surplus Associated Natural Gas is justified, or in the event that the Contractor wants to develop and produce this surplus for export, the Contractor shall indicate, in the development and production program indicated in article 11.3.3, the additional facilities necessary for the development and production of this surplus and an estimate of the related costs.

The Contractor shall then be entitled to proceed with development and production of this surplus Associated Natural Gas in accordance with the development and production program approved by the Government under the conditions set forth in article 11.3.6, and the provisions of the Agreement applicable to Crude Oil shall apply *mutatis mutandis* to the surplus Associated Natural Gas, subject to the special provisions set forth in article 21.3.

A similar procedure shall be applicable if the sale or the marketing of the Associated Natural Gas is decided mutually by the Parties during production of the Field.

21.2.2. In the event that the Contractor does not consider the production of the surplus Natural Gas to be justified and if the Government, at any time, wishes to use it, the Government shall notify the Contractor to this effect, in which case:

a) The Contractor shall make available to the Government, free of charge, at the exit of the Crude Oil and Natural Gas separation facilities, some or all of the surplus Associated Natural Gas that the Government wants to lift;

b) The Government shall be responsible for collection, processing, compression and transportation of this surplus, from the above-mentioned separation facilities, and shall bear all additional related costs, and

c) The construction of the facilities necessary for the operations indicated in section b) above, as well as lifting of this surplus by the Government, shall be performed in accordance with the Best Industry Practice in the international petroleum industry and

in such a way so as to not disturb production, lifting and transportation of Crude Oil by the Contractor.

21.2.3. Any surplus Associated Natural Gas that is not used within the context of articles 21.2.1 and 21.2.2, shall be reinjected by the Contractor. Nevertheless, the Contractor shall be entitled to burn said gas in accordance with the Best Industry Practice in the international petroleum industry, provided that the Contractor provides the Government with a report showing that this Associated Natural Gas cannot be economically used to improve the recovery rate of Crude Oil by reinjection according to the provisions of article 15.6, and that the Government approves said burning, which approval shall not be refused without a valid reason.

Notwithstanding the above, where the circumstances so require, due to an emergency that may affect the safety of the facilities and persons, and after all remedies provided for by the Best Industry Practice in the international petroleum industry, the Contractor may flare the produced Natural Gas and, as soon as possible, inform the Government. The Contractor shall then remedy the emergency situation and stop flaring the Natural Gas as soon as possible, in accordance with the Best Industry Practice in the international petroleum industry.

21.2.4. In order to recover the Petroleum Costs related to the Associated Natural Gas, the Contractor may take, free of charge each Calendar Year, a portion of the production of Associated Natural Gas that under no circumstances may exceed seventy-five (75%) of the Total Production of Associated Natural Gas from the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs related to the Associated Natural Gas actually incurred and paid.

If, during a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article exceed the equivalent value of seventy-five percent (75%) of the Total Production of Associated Natural Gas from the Delimited Region, calculated as indicated above, the balance of the Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the subsequent Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be added to the Development Expenses that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 21.2.4.

21.3. Provisions common to Associated Natural Gas and Non-Associated Natural Gas.

21.3.1. The quantity of Natural Gas from the Delimited Region remaining during each Calendar Year after the Contractor has taken - from the Total Production of Natural Gas - the portion necessary in order to recover the Petroleum Costs in accordance with the provisions of article 21.1.5 and 21.2.4 hereinafter referred to as "**Remaining Production**," shall be shared between the Government and the Contractor for each portion as follows:

Portions of Total Daily Production (million cubic feet per day, MMCFD)	State's Share of the Remaining Production	Contractor's Share of the Remaining Production
0 to 100 MMCFD	28%	72%
101 to 250 MMCFD	33%	67%
251 to 500 MMCFD	38%	62%
Over 500 MMCFD	43%	57%

For application of this article 21.3, the Total Daily Production of Natural Gas shall be the average rate of the Total Daily Production of Natural Gas measured at the place stated in the approved development plan, by using the measuring tools and procedures in accordance with Best Industry Practice in the international petroleum industry, during the month in question from which, if applicable, the volume of Natural Gas that is required for the Petroleum Operations will be subtracted.

Thus, for a given Total Daily Production, the Contractor shall take the portion necessary for recovery of the Petroleum Costs in each portion of Total Daily Production of Natural Gas defined in the table above before sharing the Remaining Production between the Government and the Contractor according to the rates agreed as above.

For purposes of applying the tax legislation of the Republic of Côte d'Ivoire, the quantity of Natural Gas that the Government shall receive during the course of each Calendar Year, pursuant to article 21.3.1, shall include the portion necessary to pay all tax(es) of the Contractor in the Republic of Côte d'Ivoire that may be imposed on its income. The Government agrees to pay on this portion all income tax(es) in the name and on behalf of the Contractor, and to send the Contractor the official vouchers for these payments as set forth in article 17.6. In order to determine the value of said portion necessary for payment of income tax, the Government shall use the sales price defined in article 21.3.7. The share of Crude Oil made available to the Government representing income tax shall be determined separately and specified in accordance with the provisions of this article.

However, notwithstanding the above, it is agreed that each entity constituting the Contractor may choose to pay directly in cash the tax on its industrial and commercial profits for any given Fiscal Year.

In this case, the tax will be paid by the entity concerned in instalments:

- simultaneously to the payments to be made by PETROCI where PETROCI is responsible for selling the Government share in the Remaining Production; or
- within forty-five (45) days running from the date the Government removed its part in the Remaining Production, in the event that the Government chooses to receive all of its share in kind.

The instalment amounts to be paid, as stated above, will each be equal to the counter value based on the selling price defined in article 21.3.7 below, of the portion the Government received as its share in the Remaining Production, for the payment of the entity concerned.

As soon as the entity in question has paid the required instalment as a result of the above, the Government shall remit to that entity, in compensation, an amount identical to the aforementioned portion that the Government has previously received.

At the end of the Fiscal Year, where the instalment amounts the entity has paid for the Fiscal Year in question is higher or lower than the amount of the tax actually due, an appropriate adjustment will be made either by the entity settling the balance, or by the entity paying the equivalent amount to the Government. No adjustment will occur at the end of the Agreement.

21.3.2. The Government may receive its share of production defined in articles 21.1.5 and 21.2.4, either in cash or kind, in accordance with the provisions in article 21.3.3 and 21.3.4, with the understanding that for budget purposes, fifteen percent (15%) of this share of production shall be allocated to the State's *Fonds d'Actions Pétrolières* [Petroleum Share Fund] and shall not entail any additional charge for the Contractor.

21.3.3. If the Government wants to receive any or all of its share of production defined in article 21.3.1 in kind, the Government shall advise the Contractor to this effect in writing at least three (3) months before the start of each Calendar Quarter, specifying the exact quantity it wishes to receive in kind during said year.

For this purpose, the Contractor shall not sign any commitment to sell the Government's share of production with a term longer than one (1) year without the Government's written consent.

21.3.4. If the Government wishes to receive any or all of its share of production defined in article 21.3.1 in cash or if the Government has not notified the Contractor of its decision to receive its share of production in kind in accordance with article 21.3.3, the Contractor is required to sell the Government's share of production and to pay it, within thirty (30) days after receipt of payment, the amount equal to the quantity corresponding to the Government's share of production multiplied by the sales price defined in article 21.3.7 less the charges incurred by such operation.

21.3.5. In order to encourage the production of Natural Gas, the Government may allow the Contractor special advantages when duly justified, especially with regard to the recovery of Petroleum Costs, production sharing, the bonuses and PETROCI's participating interest, provided that each of these special advantages relates to the production of Natural Gas.

21.3.6. The Contractor shall be entitled to sell its share of production of Natural Gas, in accordance with the provisions of this Agreement. It shall also be entitled to separate liquids of all Natural Gas produced, and to transport, store, and sell on the local market or for export its share of the separated liquid Hydrocarbons, which shall be considered as Crude Oil for the purposes of sharing between the Parties according to article 16.

21.3.7. For the purposes of this Agreement, the price of the Natural Gas, expressed in Dollars per million BTUs, shall be equal to the actual price determined in the Natural Gas sales agreements, said sales specifically excluding:

a) sales in which the buyer is an Affiliated Company of the seller as well as sales between entities comprising the Contractor, and

b) sales entailing compensation other than payment in freely convertible currency and sales motivated, in whole or in part, by considerations other than economic incentives that are usual in sales of Natural Gas.

For the sales indicated in sections a) and b) above, the price of the Natural Gas shall be determined by mutual agreement between the Government and the Contractor, or between the Contractor and a Third Party based upon the market price at the time of said sales of a substitute fuel for Natural Gas.

21.3.8. In the event that the Contractor wishes to separate from the Natural Gas some or all of the liquid Hydrocarbons according to procedures it determines, the Natural Gas shall be measured after the Contractor separates the liquid Hydrocarbons from the Natural Gas.

ARTICLE 22: PETROCI'S PARTICIPATING INTEREST

22.1. As a result of work previously performed in the Delimited Region, PETROCI, as of the Effective Date, is associated with the entities comprising the Contractor, to share in the Petroleum Operations, at a rate of ten percent (10%) (hereinafter referred to as "**Initial Participating Interest**").

PETROCI, pursuant to and *pro rata* to its Participating Interest, benefits from the same rights and is subject to the same obligations as those of the Contractor defined in this Agreement, subject to the provisions of this article.

22.2. Within the context of the policy of promoting the petroleum industry in the Republic of Côte d'Ivoire defined by the Government, PETROCI shall have the option to increase, within a Production Perimeter, the rate of its participating interest, in accordance with the following provisions:

a) PETROCI shall be entitled to obtain an additional participating interest (hereinafter referred to as "Additional Participating Interest") of two percent (2%) which the Operator cannot refuse.

b) Within four (4) months from the date of granting an exclusive production permit, PETROCI shall notify the other entities comprising the Contractor of its desire to exercise its option to increase its Participating Interest relative to the related Production Perimeter, specifying the percentage of its Additional Participating Interest for said Production Perimeter. If it does not make said notification within four (4) months, PETROCI's participating interest for this Production Perimeter shall remain the same as its Initial Participating Interest.

c) The Additional Participating Interest shall become effective, for the Production Perimeter in question, from the date of notification indicated in article 22.2.b) above.

d) Upon receipt of the written notification from PETROCI, all of the entities comprising the Contractor other than PETROCI shall transfer to PETROCI, immediately and jointly, each *pro rata* to its Participating Interest at that time, a percentage of their participating interest in the Production Perimeter in question, the total of which shall be equal to the percentage of the Additional Participating Interest of PETROCI.

e) As of the date of its Additional Participating Interest, or in the absence of the notification indicated in article 22.2.b), PETROCI:

- shall participate, *pro rata* to its Additional Participating Interest, in the Petroleum Costs relating to the corresponding Production Perimeter, with regard to the relevant exclusive production permit;
- If the permit in question is the first exclusive production permit, as indicated in article 22.2.g) PETROCI shall reimburse the other entities comprising the Contractor the percentage of its Additional Participating Interest in the Petroleum Costs not yet recovered, incurred from the Effective Date up to the date of notification of its Additional Participating Interest, and
- For each subsequent exclusive production permit, as indicated in article 22.2.g), PETROCI shall reimburse the other entities comprising the Contractor the percentage of its Additional Participating Interest in the Petroleum Costs relating to the new Production Perimeter not yet recovered, incurred from the date of notification of the Additional Participating Interest relating to the previous exclusive production permit up to the date of notification of the Additional Participating Interest for the new exclusive production permit.

f) Taking into account the previous work already undertaken in the Delimited Region, PETROCI's Initial Participating Interest shall entail for PETROCI, throughout the duration of this Agreement, neither the financing nor the reimbursement of its share of the Petroleum Costs, which Petroleum Costs are borne and recoverable by the other entities comprising the Contractor, in accordance with articles 16.2, 21.1.5 and 21.2.4, each *pro rata* to its Participating Interest.

Furthermore, PETROCI's Additional Participating Interest shall entail for PETROCI neither a share nor reimbursement *pro rata* to its Additional Participating Interest of the expenses and costs related to carrying its Initial Participating Interest.

g) As indicated in article 22.2.e) PETROCI shall reimburse the other entities comprising the Contractor the amounts due for its Participating Interest, as follows, at PETROCI's option:

- either within six (6) months from the date of notification of the increase in its Participating Interest, by payments in Dollars or through payments in Crude Oil appraised in accordance with the provisions of article 18;
- or in kind, by way of withholding, by the other entities constituting the Contractor, taking a portion of PETROCI's share of Hydrocarbons under Articles 16.3 and 21.3, at a rate of fifty percent (50%) of said share, the value of this portion being calculated in accordance with the provisions of article 18, until the value of these withholdings taken is equal to the remaining balance due plus interest as indicated below. The balance of the remaining amount due upon expiration of the period of six (6) months as indicated above shall accrue interest, from this date until the date of reimbursement, at the annual LIBOR (London Interbank Offered Rate) for Dollar deposits at six (6) months as published electronically by ICE Benchmark Administration Limited for the last business day prior to the date of payment plus one percentage (1) point, compounded annually.

In the event that PETROCI sells all or part of its interest arising from its Additional Participation to a company other than a State-controlled company or body, subject to the association agreement between the entities constituting the Contractor, in accordance with Article 22.3.e), the above

reimbursement will be made in Dollars, within the three (3) months following the actual completion of the sale.

22.3.

a) PETROCI shall not be required to contribute, *pro rata* to its Initial Participating Interest or Additional Participating Interest, to the payment of the bonus defined in article 19 and the budgets defined in article 30, which are payable in full by the other entities comprising the Contractor.

a) The association of PETROCI with the Contractor may not under any circumstances cancel or affect the rights of the other entities comprising the Contractor to use the arbitration clause set forth in article 32, which is not applicable to disputes between the Government and PETROCI but only to disputes between the Government and the other entities comprising the Contractor.

b) PETROCI, on the one hand, and the other entities comprising the Contractor, on the other hand, shall not be jointly and severally liable for the obligations derived from this Agreement, as set forth in article 34. PETROCI shall be individually liable with respect to the Government for its obligations pursuant to this Agreement.

c) Any failure by PETROCI to perform any of its obligations shall not be considered as a breach by the other entities comprising the Contractor, and may not under any circumstances be used by the Government to terminate this Agreement, in accordance with article 37.4, or to initiate the procedure set forth in article 37.3.

d) PETROCI may at any time assign to a company of its choice, controlled by the State, any or all of the rights and obligations derived from the Additional Participating Interest indicated in this article.

22.4. The conditions for PETROCI's Participating Interest and the relations between the entities comprising the Contractor are determined in a Partnership Agreement that shall become effective as of the Effective Date.

ARTICLE 23: FOREIGN EXCHANGE CONTROL

23.1. The Contractor shall be subject to the foreign exchange control regulations of the Republic of Côte d'Ivoire, subject to the provisions of this article.

23.2. The Contractor shall be entitled to retain abroad all currencies from the export sales of Hydrocarbons allocated to it by this Agreement, or transfers, as well as its own equity, loan proceeds and, in general all assets it acquires abroad, and to freely dispose of these foreign currencies or assets to the extent that they exceed the needs of its operations in the Republic of Côte d'Ivoire.

23.3. No restriction shall be imposed on loans abroad and the importation of funds by the Contractor intended for the performance of the Petroleum Operations.

23.4. The Contractor shall be entitled to purchase Ivoirian currency with foreign currencies, and to freely convert to the foreign currencies of its choice all funds it holds in the Republic of

Côte d'Ivoire that exceed its local needs, at exchange rates that shall not be less favourable than those generally applicable to any other buyer or seller of foreign currencies.

23.5. The Contractor shall be entitled to pay directly abroad its suppliers not domiciled in the Republic of Côte d'Ivoire for goods and services that are necessary to perform the Petroleum Operations.

23.6. The provisions of this article 23 apply to the Contractors' subcontractors incorporated abroad as well as their expatriate employees.

23.7. The expatriate employees of the Contractor, or any of its agents, contractors and subcontractors shall be entitled to freely send abroad a portion of their salaries paid in the Republic of Côte d'Ivoire and any investment income earned on these salaries.

ARTICLE 24: CURRENCY UNIT USED FOR BOOKKEEPING

24.1. The accounting records and books relating to this Agreement shall be kept in French and denominated in Dollars. These accounts shall be used in order to determine the amount of Petroleum Costs, gross income, production expenses, net earnings and for preparation of the income declarations of the Contractor; they shall also include the accounts of the Contractor showing the sales of Hydrocarbons pursuant to this Agreement.

For information purposes, the accounts and balance sheets shall also be kept in CFA francs.

24.2. Whenever it is necessary to convert to Dollars the expenses and income denominated in another currency, the exchange rages used shall be equal to the arithmetic average of the daily closing purchase and sale rate for said currency during the month in which the expenses were paid and the income received provided that if the Contractor actually buys or sells a currency using another currency, the Contractor will use the effective exchange rate for the accounting records and books.

In the event of official devaluation or revaluation during a given month, two (2) arithmetic averages shall be applied, the first calculated based upon daily closing purchase and sale rate for the period from the first day of the month up to and including the day of such devaluation or revaluation, the second calculated based upon daily closing purchase and sale rate for the period from the day of such devaluation or revaluation, not inclusive, up to the last day of the month in question.

The exchange rate to be applied for the devaluations indicated in this article shall be the rates published on the Paris exchange market or, in the absence thereof, the rates published by Citibank N.A., New York.

24.3. The original accounting records and books indicated in article 24.1 shall be kept in the Republic of Côte d'Ivoire.

The accounting records and books shall be justified by detailed receipts for revenues and Petroleum Costs.

ARTICLE 25: ACCOUNTING METHOD AND VERIFICATIONS

25.1. The Contractor shall maintain its accounting records and books in accordance with current legislation applicable in the Republic of Côte d'Ivoire and the provisions of the Accounting Procedure indicated in appendix 2 attached hereto, which is an integral part of this Agreement.

25.2. The Government, after informing the Contractor in writing with notice of thirty (30) days, shall be entitled to inspect, examine and verify, through its own agents or by experts of its choice, the accounting records and books related to the Petroleum Operations, and shall have a term of four (4) Calendar Years following the end of each Calendar Year to perform the inspections, examinations or verifications for said Calendar Year and to submit to the Contractor its objections regarding all contradictions or errors detected during the inspections, examinations or verifications.

If the Government fails to submit a claim within the four (4) Calendar Years indicated above, no objection or claim from the Government for the Calendar Year in question shall be allowed.

25.3. At the end of the audit, the Government shall notify the Contractor of the preliminary audit report which shall mention all the points that do not comply with the Agreement. The Contractor then has fifty (50) days from the date of the Government's notice to provide the necessary supporting documents for the preliminary audit reportand, if necessary, the Contractor may obtain additional time that will not exceed thirty (30) days.

At the end of this process, the factors that do not comply with the Agreement and that are retained in the final audit report, will be the subject to accounting adjustments by the Contractor or rectifications, adjustments, or modifications by the Contractor.

<u>ARTICLE 26:</u> IMPORT AND EXPORT

26.1. a) The Contractor shall, in accordance with article 17.7, be entitled to import into the Republic of Côte d'Ivoire, on its behalf and on behalf of its subcontractors, all technical equipment, materials, equipment, machines and tools, devices, automotive vehicles, aircraft, spare parts and consumables, office and computer supplies and equipment, goods and supplies, necessary for the Petroleum Operations.

b) The Contractor shall also be entitled to import into the Republic of Côte d'Ivoire, on its behalf and on behalf of its subcontractors, the furnishings, clothing, household appliances and personal effects of all foreign employees and their family members, assigned to work in the Republic of Côte d'Ivoire on behalf of the Contractor or its subcontractors.

c) Nevertheless, the Contractor and its subcontractors agree to only import the goods indicated in article 26.1.a) insofar as said are not available in the Republic of Côte d'Ivoire at similar quantity, quality, price, payment terms and conditions, subject to special technical requirements or urgency presented by the Contractor, its agents, contractors or its subcontractors.

d) The Contractor, its agents, contractors and subcontractors, shall be entitled to re-export from the Republic of Côte d'Ivoire, free of all duties and taxes, at any time, all items imported according to articles 26.1 a) and 26.1 b) that are no longer necessary for the Petroleum Operations in accordance with the provisions of article 20.

26.2. All of the imports indicated in article 26.1 that the Contractor, its agents, contractors and subcontractors, their foreign employees and their family members are entitled to perform in one or more shipments to the Republic of Côte d'Ivoire, shall be fully exempt from all duties and taxes payable at entry.

The applicable administrative formalities, accordingly, shall be those of the following systems:

a) Exceptional temporary admission system, suspending all entry duties and taxes for the materials, equipment, machines and tools, automotive vehicles, goods and supplies necessary for proper performance of the Petroleum Operations, throughout the duration of use in the Republic of Côte d'Ivoire, including the continental shelf, with the understanding that for the materials, equipment, machines and tools, automotive vehicles, goods and supplies consumed during the Petroleum Operations or left on site, clearance of the Exceptional temporary admission shall be automatic upon a simple quarterly declaration and without paying duties and taxes.

In the event of duly justified urgency, the materials, equipment, machines and tools, automotive vehicles, goods and supplies shall be made available to users upon their arrival in the Republic of Côte d'Ivoire, with the administrative formalities relating to their admission being performed thereafter, as soon as possible.

b) Bunkering regime, for consumable products and goods, fuels and lubricants used offshore, especially on vessels, aircraft and oil exploration and production equipment.

c) Duty-free admission according to current legislation in the Republic of Côte d'Ivoire, for furnishings, clothing, household appliances and personal effects.

26.3. Articles other than those indicated in article 26.1 shall be subject to the ordinary laws of the Republic of Côte d'Ivoire.

26.4. The Contractor, its agents, contractors and subcontractors shall be entitled to sell in the Republic of Côte d'Ivoire, subject to notifying the Government in advance of their intent to sell and subject to the provisions of article 20, all equipment, materials, machines and tools, devices, automotive vehicles, spare parts and consumables, office and computer supplies and equipment, goods and supplies that they imported if they are considered to be surplus or are no longer necessary for the Petroleum Operations. In this case, the seller shall be required to pay all applicable duties and taxes as of the date of the transaction and to perform all formalities required by current legislation in the Republic of Côte d'Ivoire.

The Government shall have the preferential right to purchase all of the items listed above at prices and conditions equal to those accepted by Third Parties. This right shall be exercised within a term not exceeding the term accepted by said Third Parties for executing the purchase.

26.5. The Contractor, its clients and their shippers, throughout the term of validity of this Agreement, shall be entitled to freely export, at the point of export selected for this purpose, free of all duties and taxes payable at exit, at any time, the portion of Hydrocarbons to which the Contractor is entitled by virtue of the provisions in articles 16 and 21 of this Agreement.

26.6. All imports and exports made pursuant to this Agreement shall be subject to the formalities and documentation required by the customs authorities, but shall not entail any payment of entry

or exit duties and taxes, subject to the provisions of article 26.3, according to the regime for which the Contractor is eligible pursuant to the provisions of this Agreement.

ARTICLE 27: MAKING CRUDE OIL PRODUCTION AVAILABLE TO MEET NATIONAL DEMAND

27.1. Each Calendar Year, up to a total of ten percent (10%) of the share of Crude Oil production corresponding to the Contractor pursuant to the articles 16.2 and 16.3, shall be sold to PETROCI by the Contractor in order to meet the demand of the domestic market of the Republic of Côte d'Ivoire. Similarly, the Contractor will sell to PETROCI a total of up to ten percent (10%) of the Contractor's share of Natural Gas production under Articles 21.1.5, 21.2.4 and 21.3.1 to meet the needs of Republic of Côte d'Ivoire's internal market.

The contribution of the Contractor shall be proportional to its share of production, as defined in articles 16.2, 16.3, 21.1.5, 21.2.4 and 21.3.1, in relation to the total production of Crude Oil and Natural Gas in the Republic of Côte d'Ivoire.

The quantity of Crude Oil and Natural Gas that the Contractor shall be required to sell to PETROCI shall be notified to it by PETROCI at least three (3) months before the start of each Calendar Quarter.

27.2. The price of the Crude Oil sold to PETROCI under article 27.1 to meet the demand of the domestic market shall be equal to seventy-five percent (75%) of the Market Price defined in article 18.

The price of the Natural Gas sold to PETROCI under article 27.1 to meet the demand of the domestic market shall be equal to seventy-five percent (75%) of the Market Price defined in article 21.3.7.

The twenty-five percent (25%) allowance on the price of the Crude Oil and that of the Natural Gas sold to PETROCI to meet domestic demand shall be deemed to be Petroleum Costs and recoverable in accordance with article 16.2, 21.1.5 and 21.2.4.

27.3. The price of this Crude Oil and Natural Gas shall be payable to the Contractor, in CFA francs, two (2) months after receipt of the invoice, unless otherwise agreed between the Parties.

For the purpose of converting the Dollars into CFA francs, PETROCI will use the exchange rate specified according to the procedure provided in article 24.2.

ARTICLE 28: TRANSFER OF TITLE TO THE HYDROCARBONS AND LIFTING

28.1. The transfer of title and risks to the share of production of Hydrocarbons corresponding to each Party shall occur at the Point Of Delivery of the Natural Gas or at the Point of Transfer of the Crude Oil.

The Contractor shall not become the owner of the Hydrocarbons before this Point of Transfer of the Natural Gas or Crude Oil but it shall contract all insurance necessary in order to cover

any damage, loss or liability that may occur before the Point of Transfer of the Natural Gas or Crude Oil caused by the Contractor, its agents and its subcontractors.

28.2. The Government and the Contractor shall have the right and obligation, subject to the provisions of articles 16, 21 and 27.1, to lift and control the share of Hydrocarbons corresponding to it pursuant to this Agreement.

This share shall be lifted on as regular a basis as possible, with the understanding that each of the Parties, within reasonable limits, shall be authorised to lift more (overlift) or less (underlift) than its share of Hydrocarbons produced and not lifted on the day of lifting, provided that this overlift or underlift does not affect the rights of the other Parties and that it is compatible with the production rates and storage capacity.

In establishing the order of lifting, priority shall be given to the Party with the greatest quantity of Hydrocarbons produced and not lifted at a given time.

The Parties shall periodically meet to establish a provisional lifting program based upon the principles described above, taking into account the wishes of the Parties with regard to the dates and quantities of their liftings, insofar as their wishes are compatible with these principles.

Before the start of production in the Delimited Region, the Parties shall enter into a lifting agreement consistent with the principles expressed in this article.

ARTICLE 29: PROTECTION OF RIGHTS

29.1 The Contractor shall take all reasonable measures necessary to perform its obligations pursuant to this Agreement. It shall be held liable in accordance with the applicable laws and regulations of the Republic of Côte d'Ivoire with respect to any damage or loss which the Contractor, its employees, contractors, subcontractors or agents and their employees may cause to Third Parties, to the property or rights of other persons, due to or as a result of the Petroleum Operations.

29.2. The Government shall take all reasonable measures to facilitate the implementation by the Contractor of the objectives of this Agreement and protect the Contractor, the Contractor's assets and operations, and its employees and subcontractors in the Republic of Côte d'Ivoire.

29.3. Upon a duly justified request from the Contractor, the Government shall prohibit the construction of residential or commercial buildings near the facilities that the Contractor may declare to be hazardous as a result of its operations. It shall take the necessary precautions to prohibit mooring near pipelines submerged under river crossings, and to prohibit all interference with the use of any other facility necessary for the Petroleum Operations, both onshore and offshore.

29.4. The Contractor shall carry, and ensure that its contractors and subcontractors carry, for the Petroleum Operations, all insurance in the type and amounts in customary use in the international petroleum industry, especially third party liability insurance and insurance covering damage to the property, facilities, equipment and materials, notwithstanding other insurance that may be required according to Ivoirian legislation.

The Contractor shall provide the Government with proof of carrying the insurance indicated above. The insurance must be contracted from highly regarded insurance companies.

29.5. In the event that the Government may be held liable due to or as a result of the Petroleum Operations, the Contractor shall indemnify and hold the Government harmless from any claim, loss or damage whatsoever caused by or as a result of the Petroleum Operations to the extent that it is finally determined pursuant to applicable law, provided that said claims, losses or damage are not due in whole or in part to an action by the Government.

ARTICLE 30: PERSONNEL, TRAINING, EQUIPMENT AND SOCIAL WORK

30.1. The Contractor, for performing the Petroleum Operations, shall give priority to employing domestic labour from the Republic of Côte d'Ivoire, in accordance with the provisions after this article 30.1.

Non-Ivorian directors, technicians, engineers, accountants, geologists, geophysicists, scientists, chemists, drillers, foremen, mechanics, skilled labourers, secretaries and supervisors may only be hired by the Contractor outside of the Republic of Côte d'Ivoire if Ivoirian specialists with the same qualifications cannot be hired within the country or abroad, transferred from PETROCI or the petroleum administration.

Within ninety (90) days of the granting of an exclusive production permit, the Contractor shall submit a plan for the "Ivoirization" of its personnel to the Government for approval, and which shall be financed by the Contractor once approved.

For this purpose, the Contractor shall employ at least seventy percent (70%) of Ivoirian personnel no later than the anniversary date of the start of commercial production, at least eighty (80%) three (3) years after the start of commercial production, and at least ninety (90%) five (5) years after the start of commercial production.

If one of these objectives is not met, the Government may require the Contractor, excluding PETROCI, to establish a training program in order to achieve the targets stipulated above. Said training program shall be allocated an annual amount of not less than five hundred thousand Dollars (US$ 500,000), not recoverable as Petroleum Costs, and shall be submitted to the Government for approval.

30.2. Furthermore, the Contractor, excluding PETROCI, as of the Effective Date, shall fund a training program for the Ivoirian nationals. Said program shall cover all of the Petroleum Operations, from exploration through production, especially including but not limited to preparatory studies for the installation and performance of work (such as the geophysical campaign, drilling, production tests, development of a field) and the negotiation of contracts.

For the purposes of this article 30.2, "Ivorian nationals" means the Ivorian administration personnel in charge of hydrocarbons, the scholarship students of the ministry that is responsible for Hydrocarbons and PETROCI personnel.

For this purpose, the Contractor, excluding PETROCI, shall pay the Government a minimum annual training budget of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

No more than fifteen percent (15%) of the training budget shall be allocated to the executive management responsible for Hydrocarbons and the cabinet office of the ministry that is responsible for Hydrocarbons, for the participation by their staff in domestic or international conferences, seminars and missions (as well as their participation in their organisation) and for the carrying out of studies, in relation to the missions of the ministry that is responsible for Hydrocarbons.

30.3. The Contractor, except for PETROCI, agrees to pay the Government an annual budget for performing social works such as the construction of health care infrastructure (medical clinics, dispensaries, hospitals, health care centres, medical equipment or materials, etc.), educational infrastructure and social initiatives, for a minimum amount of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

30.4. The Contractor, except for PETROCI, also agrees to pay the Government an annual budget for the purchase, by the Government, of equipment, material, consumables and services, in a minimum annual amount of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

The annual equipment budget is aimed primarily at petroleum administration equipment and that of the ministry responsible for Hydrocarbons.

No more than fifteen percent (15%) of the training budget shall be allocated to the executive management responsible for Hydrocarbons and the cabinet office of the ministry that is responsible for Hydrocarbons, for the participation by their staff in domestic or international conferences, seminars and missions (as well as their participation in their organisation) and for the carrying out of studies, in relation to the missions of the ministry that is responsible for Hydrocarbons.

30.5. For the purposes of applying articles 30.2, 30.3 and 30.4, the Operator shall fund, from the first two weeks of each Calendar Year and for the first exploration period, no later than two (2) months after the date this Agreement is signed, the annual training, social welfare and equipment budgets, upon the Government Representative's written request including the details of the financing or expenses. The three (3) training, equipment and social welfare budgets are due in full for each Contractual Year including the years in which this Agreement was signed and terminated.

The training expenses and those related to social works and equipment and materials borne by the Contractor, other than PETROCI, will be treated as recoverable Petroleum Costs.

The unused annual training, equipment and social works budgets are carried forward to the next Calendar Year. At the end of each exploration period, the Operator shall, following instructions from the Government, transfer all the balances of the budgets to accounts designated for this purpose.

30.6 Foreign personnel employed by the Contractor, its agents and its subcontractors for the Petroleum Operations shall be authorised to enter the Republic of Côte d'Ivoire. The Government shall facilitate issuance of the administrative documents necessary for said personnel and their family members to enter and stay in the Republic of Côte d'Ivoire.

30.7. All employees required for conducting the Petroleum Operations shall be under the authority of the Contractor or its agents, contractors and subcontractors, in their capacity as employers. Their work, number of hours, wages, and all other conditions of their employment shall be determined by the Contractor or its agents, contractors and subcontractors, in accordance with legislation in force in the Republic of Côte d'Ivoire and the Best Industry Practice in the international petroleum industry. The Contractor, however, shall be free to select and assign its personnel, subject to the provisions of article 30.1.

ARTICLE 31: ACTIVITY REPORTS RELATED TO EXCLUSIVE PRODUCTION PERMITS

31.1. The provisions of article 11 shall apply, *mutatis mutandis,* to exclusive production permits. Furthermore, the following periodic activity reports shall be provided to the Government for each Field:

a) daily production reports, and

b) monthly reports indicating the quantities of Hydrocarbons produced and sold during the past month and the information on these sales in accordance with article 18.5.

Unless the Contractor consents in writing, the information on a Production Perimeter, with the exception of activity statistics, shall, in accordance with article 8.4 above, be considered by the Parties to be confidential throughout the duration of this Agreement.

31.2. The Contractor shall notify the Government as soon as possible of any significant damage of any type to the oil fields or facilities, and shall take all reasonable measures necessary to resolve it and make the necessary repairs.

31.3. As of the date of granting an exclusive production permit, the annual reports indicated in article 8.2 shall also contain the following:

a) information on all development and production operations performed during the past Calendar Year, including the quantities of Hydrocarbons produced and sold, if applicable;

b) information on all transportation operations and sales, as well as the location of the principal facilities constructed by the Contractor, if applicable, and

c) a statement indicating the number of employees and operations, with their qualifications, nationality, their given name and surnames, their number and employment start date.

ARTICLE 32: ARBITRATION

32.1. In the event of a dispute between the Government and the Contractor regarding or arising from this Agreement, the Parties shall endeavour to resolve this dispute amicably.

If, within ninety (90) days from the date of notification from one Party to the other of the dispute, the Parties are unable to resolve the dispute, it shall be submitted, at the request of the first Party to do so, to an arbitration procedure made up of three (3) arbitrators, in accordance with the applicable Arbitration Rules of the ICC.

No arbitrator shall be a national of the countries of origin of the Parties.

32.2. The place of arbitration shall be Paris (France). The language used in the proceedings shall be French, and the applicable law shall be Ivoirian law and in accordance with Best Industry Practice.

The award issued by the arbitral tribunal shall be definitive, binding upon the Parties and immediately enforceable.

The Parties formally and without reservation waive any right to attack such award, to impede its recognition and its execution by any means whatsoever.

32.3. The arbitration expenses shall be paid by the Parties according to ICC rules.

Performance by the Parties of their obligations arising out of this Agreement shall not be suspended during the period of arbitration.

32.4. The parties agree that this article will remain effective after the end of this Agreement.

ARTICLE 33: FORCE MAJEURE

33.1. No delay or failure by one Party in performing any of the obligations arising out of this Agreement shall be considered as a breach of said Agreement if this delay or failure is due to an event of Force Majeure.

33.2. In accordance with the terms of this Agreement, "**Force Majeure**" means any unforeseeable, unavoidable event that is beyond the control of a Party, which impedes, delays or prevents that Party from fulfilling its obligations under this Agreement and includes but is not limited to earthquakes, floods, accidents, strikes, lock-outs, riots, delays in obtaining rights of way, insurrections, civil disorder, sabotage, acts of war or circumstances attributable to war, acts of terrorism or any other cause beyond its control, similar to or different than those mentioned above.

In the event of a conflict in interpretation or an event of Force Majeure not listed above, the term "Force Majeure" shall be interpreted as closely as possible according to the principles and practices in the international petroleum industry, as well as the law of the Agreement.

If, following an event of Force Majeure, the performance of any of the obligations of this Agreement is deferred, the duration of the resulting delay, extended by the time that may be necessary to overcome the Force Majeure and to resume the Petroleum Operations, shall be added to the term indicated in this Agreement for performing said obligation, and the exclusive exploration,appraisal or production permits shall be protected accordingly with respect to the region affected by the Force Majeure.

33.3. When one Party believes that it is prevented from performing any of its obligations due to an event of Force Majeure, it must immediately notify the other Party, specifying the information such as to establish the Force Majeure, and shall take, in agreement with the other Party, all useful, necessary and reasonable steps to allow it to resume normal performance of the obligations affected upon cessation of the event constituting Force Majeure.

The obligations other than those affected by the Force Majeure shall continue to be performed in accordance with the provisions of this Agreement.

33.4. If a situation of Force Majeure continues for a period of twelve (12) months from the date of notice in accordance with article 33.3, the Contractor may, upon at least ninety (90) days written notice to the Government, terminate the Agreement.

ARTICLE 34: JOINT AND SEVERAL OBLIGATIONS AND WARRANTIES

34.1. All clauses, conditions and provisions of this Agreement shall be mandatory for the Parties and their respective successors and assigns. This Agreement constitutes the entire agreement between the Parties and no prior communication, promise or agreement, whether verbal or written, between the Parties relative to the subject of this Agreement may be invoked in order to amend the clauses hereof.

The Government certifies and warrants that there is no other agreement in effect concerning the petroleum rights of the Delimited Region, that it shall correctly and faithfully discharge its obligations, and this Agreement shall not be cancelled, amended or changed without the approval of the Parties.

34.2. Save for the contrary provisions in article 22.3.c), when the Contractor is composed of several entities, the obligations and liability of such entities by virtue of this Agreement shall be joint and several, it being understood that the Contractor shall not be jointly and severally liable for the income tax set forth in article 17.

34.3. The entities constituting the Contractor, its parent company or Affiliated Companies specficially BP Explorating Operating Company and Kosmos Energy Operating shall submit to the Government, for approval, within sixty (60) days running from the Effective Date an undertaking guaranteeing proper performance under the terms of the proper performance undertaking contained in Appendix 4.

ARTICLE 35: ASSIGNMENT RIGHTS

35.1. Subject to the written consent of the Government, which shall not be unreasonably withheld, with the exception of the provisions of article 22.3.e), the rights and obligations arising out of this Agreement may be assigned by any of the entities comprising the Contractor, in whole or in part, to Third Parties with a well-established technical and financial reputation.

The said Third Party assignees shall, together with the other entities that constitute the Contractor be jointly and severally liable for the obligations arising out of this Agreement.
The conditions for all assignments and for joint and several ownership shall be approved in advance by the Government.

If, within sixty (60) days following notification to the Government of a planned assignment, accompanied by all related information, and a draft of the assignment instrument, it has not notified its decision, this assignment shall be deemed to be approved by the Government.

As of the date of approval of an assignment, the assignee shall be bound by the terms and conditions of this Agreement, and in the event of full assignment, the assignor will no longer be bound by the terms and conditions of this Agreement.
Every assignment of rights or interests to Third Parties is subject to the payment of a transfer fee that is set in accordance with the law in force in the Republic of Côte d'Ivoire.

The fees that are fixed for this purpose, in accordance with article 17.7, will be borne by the assignee who must pay them within thirty (30) days following the date on which the transfer was approved.

35.2. Save for the provisions in article 22.3.e), the joint and several rights and obligations arising out of this Agreement may be freely assigned at any time, in whole or in part, by any of the entities comprising the Contractor to one or more Affiliated Companies, or to the other entities comprising the Contractor.

The Contractor shall notify the Government of said assignments before the effective date thereof and, if applicable, the provisions of article 34.2 shall be applicable.

35.3. The assignments made in violation of the provisions of this article are null and void.

ARTICLE 36: APPLICABLE LAW AND STABILITY OF CONDITIONS

36.1. The laws and regulations in effect in the Republic of Côte d'Ivoire and Best Industry Practice shall be applicable at all times to the Contractor, this Agreement and the operations it covers.

36.2. This Agreement is entered into by the Parties in accordance with the laws and regulations in effect at the time of execution and in relation to the provisions of said laws and regulations, especially with regard to its economic, tax and financial provisions.

As a result, in the event that (i) subsequent laws and regulations modify the provisions of laws and regulations in effect at the time of executing this Agreement or (ii) there is a change in the interpretation or application of any law, decree or regulation in the Republic of Côte d'Ivoire by a judicial, arbitral or administrative authority, and such modifications or changes entail a material change in the respective economic situation of Parties according to the current provisions of said Agreement, the Parties shall use their best endeavours to reach in good faith an agreement to change such provisions as necessary so as to re-establish the economic equilibrium of the Agreement as established at the time of execution of this Agreement. This provision applies mutatis mutandis to any case involving an international binding instrument applicable in the Republic of Côte d'Ivoire.

If, despite their efforts, the Parties cannot reach an agreement, the provisions of article 32 above may be applied.

36.3. The Parties agree that (i) the Petroleum Code establishes a special regime for oil companies and (ii) the Contractor may conduct the Petroleum Operations in accordance with Article 8 of the Petroleum Code.

ARTICLE 37: PERFORMANCE OF THE AGREEMENT

37.1. The Parties agree to cooperate in all manners possible in order to achieve the objectives of this Agreement.

For this purpose, a coordination committee ("**Coordination Committee**") composed of the Government, PETROCI and the Operator will be set up. This Coordination Committee will meet at least one (1) time during the Calendar Year and whenever necessary upon the justified request by one (1) of its members. The proposed agenda must accompany this request.

The Coordination Committee shall be chaired by the Government.

The Coordination Committee shall be a framework for information of the Government, by the Operator on the budgets, programs and performance of work and contractual obligations in the Delimited Region.

The Government shall facilitate the performance of activities by the Contractor by granting it all permits, licenses and rights necessary to perform the Petroleum Operations, and by making available to it all appropriate services and facilities, so that the Parties may get the most profit out of genuine cooperation. Nevertheless, the Contractor is required to comply with applicable procedures and formalities of the appropriate government departments.

37.2. All notifications or other communications referring to this Agreement shall be made in writing and shall be addressed to an authorised representative of the Party in question at the principal place of business in the Republic of Côte d'Ivoire of said Party by:

a) prepaid registered letter,
b) cable or telegram
c) telex or fax with acknowledgement of receipt, or
d) hand delivery with signed receipt.

Notifications shall be considered to be made on the date of receipt by the addressee.

37.3. If the Government believes that the Contractor has breached any of its obligations under this Agreement, it shall notify the Contractor to this effect in writing and the Contractor shall have sixty (60) days to remedy or submit the issue to arbitration in accordance with the provisions of article 32 of this Agreement.

37.4. Breach by the Contractor with regard to observing the provisions of this Agreement may result in termination of this Agreement by the Government, after notifying Contractor in accordance with the provisions of article 37.3, with the understanding that such termination shall not be declared if the Contractor has begun to remedy the breach after notifying the Government of the measures taken for this purpose or if the issue is submitted to arbitration in accordance with the provisions of article 32.

In the event of bankruptcy entailing liquidation of one of the entities comprising the Contractor, the rights of said entity pursuant to this Agreement shall immediately lapse and the other entities comprising the Contractor may assume the percentage of said entity's share in accordance with the joint venture agreement, and its obligations pursuant to this Agreement. In the event that the entity in liquidation is the Operator, the Government may terminate this Agreement if the new Operator appointed by the other entities which compose the Contractor does not fulfil the technical and financial capacities.
The termination of this Agreement shall not release the Contractor from its obligations created before or at the time of the termination.

37.5. The terms and conditions of this Agreement may only be amended if done in writing and by mutual agreement between the Parties.

37.6. Unless otherwise arranged or decided in writing, the Government will be represented by the Director General of Hydrocarbons in accordance with the terms of this Agreement. In this regard, the Director General of Hydrocarbons shall give, in the name and on behalf of the Government, all consents that may be necessary or appropriate for performance of the Agreement and will receive all notices on behalf of the Government under this Agreement. The Director General of Hydrocarbons shall also provide all reasonable assistance to the Contractor with respect to its activities in the Republic of Côte d'Ivoire.

37.7. The headings appearing in this Agreement were inserted for ease of reading and reference and in no way define, limit or describe the scope or purpose of the Agreement or any of its clauses.

37.8. Appendices 1, 2, 3, 4 and 5 attached hereto are an integral part of this Agreement.

37.9. Any waiver by the Government of the performance of an obligation of the Contractor shall be made in writing and signed by the representative of the Government, and no waiver may be considered as implicit if the Government waives asserting any of the rights conferred to it by this Agreement.

ARTICLE 38: EFFECTIVE DATE

After being signed by the Parties, this Agreement shall become effective. The date of signature is designated as the Effective Date, thereby making said Agreement binding upon the Parties.

IN WITNESS WHEREOF, the Parties signed this Agreement in 7 (seven) originals.

Done in Abidjan, this 21 December 2017 ("Effective Date")

FOR THE REPUBLIC OF COTE D'IVOIRE

The Secretary of State with the Prime Minister, responsible for State Budget and Portfolio	The Minister of Economy and Finance	The Minister of Petroleum, Energy and the Development of Renewable Energy
/s/ Moussa Sanogo	**/s/ Adama Kone**	**/s/ Thierry Tanoh**
Moussa SANOGO	**Adama KONE**	**Thierry TANOH**

FOR THE CONTRACTOR

PETROCI HOLDING	KOSMOS	BP
/s/ Ibrahima Diaby	**/s/ Brian F. Maxted**	**/s/ Andrew Mcauslan**
Dr. Ibrahima DIABY	**Brian F. MAXTED**	**Andrew MCAUSLAN**
Director General	**Chief Exploration Officer**	**Head of Business Development**

APPENDIX 1

Attached to and forming an integral part of this Agreement by and between the Republic of Côte d'Ivoire and the Contractor.

1.1 DELIMITED REGION

As of the Effective Date, the Delimited Region, referred to as Block CI-603 is composed of the area within the perimeter formed by the points 96G, 98GI', 14I, 14J and 14H indicated on the attached map.

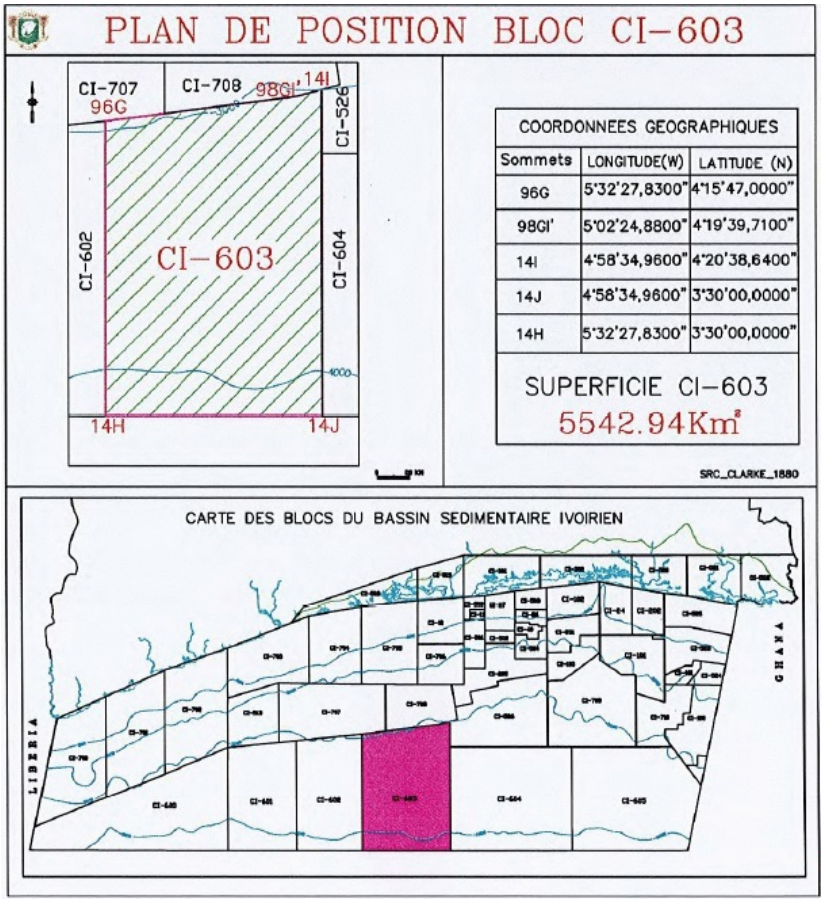
The geographical coordinates of these points are as follows, in relation to the Greenwich meridian:

Point	Longitude (W)	Latitude (N)
96G	5°32'27,8300''	4°15'47,0000''
98GI'	5°02'24,8800''	4°19'39,7100''
14I	4°58'34,9600''	4°20'38,6400''
14J	4°58'34,9600''	3°30'00,0000''
14H	5°32'27,8300''	3°30'00,0000''

The topographical reference system is CLARKE 1880 ellipsoid and the datum is Abidjan 1987.

The area of the Delimited Region defined above is considered to be equal to approximately five thousand five hundred forty-two decimal ninety-four (5,542.94 km^2) square kilometres.

1.2 MAP OF THE DELIMITED REGION



APPENDIX 2

Attached to and forming an integral part of this Agreement by and between the Republic of Côte d'Ivoire and the Contractor.

ACCOUNTING PROCEDURE

Article 1. GENERAL PROVISIONS

1.1. Purpose

This Accounting Procedure shall be followed and observed in performing the obligations under the Agreement to which this Appendix is attached.

1.2. Accounts and statements

The accounting records and books of the Contractor shall comply with legislation, and be kept according to the General Business Accounting Plan in effect in the Republic of Côte d'Ivoire.

Nevertheless, the Contractor may apply the accounting rules and procedures in practice in the international petroleum industry to the extent that they are not contrary to the above-mentioned legislation and plans.

In accordance with the provisions of article 24 of the Agreement, the accounts, books and records shall be kept in French and denominated in Dollars. These accounts shall be used specifically in order to determine the amount of Petroleum Costs, the recovery of said costs, the production sharing, as well as for filing the income declarations of the Contractor. For information purposes, the accounts and balance sheets shall also be kept in CFA francs.

The Contractor shall record all activity related to the Petroleum Operations in separate accounts from those related to any other activities that may be performed in the Republic of Côte d'Ivoire.

All accounts, books, records and statements, as well as the supporting documents for expenses incurred, such as invoices and service contracts, shall be retained in the Republic of Côte d'Ivoire so that they may be produced if so requested by the appropriate Ivoirian authorities.

1.3. Interpretation

Unless otherwise provided in this Accounting Procedure, the definitions of the terms appearing in this Appendix 2 shall be the same as the corresponding terms appearing in the Agreement.

In the event of a conflict between the provisions of this Accounting Procedure and the Agreement, the Agreement shall prevail.

1.4. Modifications

The provisions of this Accounting Procedure may be amended by mutual agreement of the Parties.

1.5. Definitions

The terms used in this Accounting Procedure are defined as follows:

a) Development Expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations relative to a Production Perimeter excluding Production Expenses and Financial Expenses

b) Appraisal Expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations relative to an Appraisal Perimeter.

c) Production Expenses are all costs and expenses borne and paid by the Contractor for producing and maintaining the wells, equipment and related facilities relative to a Field from the start of production of said Field. The Production Expenses shall also include all costs and expenses borne and paid by the Contractor for producing and maintaining the pipelines, generators, warehouses, pools and other facilities that the Contractor acquires, builds or installs in accordance with the provisions of article 7.2. of the Agreement for performing the Petroleum Operations.

d) Exploration expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations (especially including the costs and expenses indicated in article 2.2.13 of this Accounting Procedure), excluding Appraisal Expenses,

Development Expenses, Production Expenses, Financial Expenses, Overheads in the Republic of Côte d'Ivoire and Overheads Abroad.

e) Financial Expenses means the interest and fees indicated in article 2.2.10 of this Accounting Procedure.

f) Overheads in the Republic of Côte d'Ivoire means the costs and expenses indicated in article 2.2.2 of this Accounting Procedure.

g) Overheads Abroad means the costs and expenses indicated in article 2.2.3 of this Accounting Procedure.

Article 2. PETROLEUM COSTS

2.1. Petroleum Costs Account

The Contractor shall keep a "**Petroleum Costs Account**" to record in detail the expenses incurred and effectively paid by the Contractor in relation to the Petroleum Operations performed pursuant to this Agreement, which shall be recoverable in accordance with the provisions of articles 16 and 21 of the Agreement. Recovery of the Petroleum Costs will be on the basis of the expenses incurred and effectively paid.

In particular, this Petroleum Costs Account shall separately indicate, by Appraisal Perimeter or Production Perimeter, if applicable, the following expenses:

a) the Exploration Expenses;
b) the Appraisal Expenses;
c) the Development Expenses;
d) the Production Expenses;
e) the Financial Expenses;
f) the Overheads in the Republic of Côte d'Ivoire;
g) the Overheads abroad;
h) the abandonment reserve funds:
i) national needs, and
j) training, equipment and social works expenses.

The Petroleum Costs Account shall allow, among others, the following to be identified at any time:

a) the total amount of Petroleum Costs since the Effective Date;

b) the total amount of Petroleum Costs recovered;

c) the total amount credited to the Petroleum Costs Account pursuant to article 2.4.b) of this Accounting Procedure, and

d) the total amount of Petroleum Costs still to be recovered.

For the purposes of application of articles 16 and 21 of the Agreement, the Petroleum Costs shall be recovered according to the following order of priority:

a) production expenses of a Field incurred and effectively paid from the start date of regular production;

b) financial expenses, and

c) other Petroleum Costs.

Furthermore, in each of the categories indicated above, the costs shall be recovered in the order in which they are incurred and effectively paid.

Notwithstanding any provisions to the contrary in this Accounting Procedure, the intent of the Parties is to not duplicate any credit or debit in the accounts maintained pursuant to the Agreement.

2.2. Debits posted to the Petroleum Costs Account
The following expenses and charges shall be posted as debits in the Petroleum Costs Account:

2.2.1. Personnel Expenses
All payments made to cover the salaries and wages of the employees of the Contractor directly assigned in the Republic of Côte d'Ivoire, on a temporary or permanent basis, to the Petroleum Operations performed pursuant to this Agreement, including statutory and welfare costs and all additional charges or expenses set forth in individual or collective agreements or according to the internal administrative regulations of the Contractor.

2.2.2. Overheads in the Republic of Côte d'Ivoire
Fees and salaries of personnel of the Contractor working in the Republic of Côte d'Ivoire on the Petroleum Operations whose work time is not directly assigned to the programs, as well as the costs of maintaining and operating a general and administrative office and auxiliary offices in the Republic of Côte d'Ivoire necessary for the Petroleum Operations.

2.2.3. Overheads abroad
The Contractor shall add a reasonable amount for overhead paid abroad, related to performing the Petroleum Operations by the Contractor and its Affiliated Companies, such amounts representative of the estimated cost of services performed for said Petroleum Operations and corresponding to actual services performed abroad by the Contractor or its Affiliated Companies.

Overheads abroad includes part of the salaries and wages paid to staff residing abroad as well as a portion of general administrative costs for central services located abroad.

The amounts allocated shall be provisional amounts determined based upon the experience of the Contractor, and shall be adjusted annually according to the actual costs borne by the Contractor.

Nevertheless, the overheads paid abroad shall only be allocated within the following limits:

a) before granting an exclusive production permit: five percent (5%) of the expenses allocated to the Petroleum Costs Account excluding overhead for the Calendar Year in question;

b) as of the time of granting the first exclusive production permit: three percent (3%) of the expenses allocated to the Petroleum Costs Account excluding bonuses and overhead for the Calendar Year in question.

2.2.4. Buildings

Expenses for construction, maintenance and related costs, as well as rent paid for all offices, homes, warehouses and other types of buildings, including housing and recreation centres for employees, and the cost of equipment, furnishings, fittings and supplies necessary to use these buildings as required for the needs of the Petroleum Operations.

2.2.5. Materials, Equipment and rent

Costs of equipment, materials, machines, articles, supplies and facilities purchased or supplied for use in the Petroleum Operations, as well as rent or compensation paid or incurred for the use of all equipment and facilities necessary for the Petroleum Operations, including the facilities exclusively owned by the Contractor.

2.2.6. Transportation

Transportation of personnel, equipment, materials and supplies, within the Republic of Côte d'Ivoire and between the Republic of Côte d'Ivoire and other countries, necessary for the Petroleum Operations.

The personnel transportation costs include the expenses for transferring employees and their family, paid by the Contractor, in accordance with the policy established by the Contractor.

2.2.7. Services Rendered

Expenses for services rendered by subcontractors, consultants, expert advisors and public utilities, as well as all costs related to services rendered by the Government or any other authorities of the Republic of Côte d'Ivoire.

The expenses for services rendered by Affiliated Companies, provided that these costs do not exceed those that would normally be charged by independent companies for the same or similar service taking into account the quality and availability of those services.

2.2.8. Insurance and claims

Premiums paid for insurance that must normally be carried for the Petroleum Operations which must be performed by the Contractor pursuant to the Agreement, as well as all expenses incurred and paid to settle all losses, claims, compensation and other expenses, including those for legal services not recovered by the insurance carrier and those derived from court decisions.
If after approval by the Government no insurance is carried, all expenses paid by the Contractor to settle all losses, claims, compensation, legal judgments and other expenses.

2.2.9. Legal expenses

All expenses relative to conducting, examining and settling disputes or claims arising from the Petroleum Operations, or those necessary for defending or recovering assets acquired in performing the Petroleum Operations, especially including discovery or investigation fees, court fees and amounts paid to settle or resolve such disputes or claims.
If such measures must be conducted by Contractor's legal personnel, reasonable remuneration will be included in the Petroleum Costs, which shall not exceed the cost of the same or similar service normally performed by an independent company.

2.2.10 Financial expenses
All interest and fees the Contractor pays in respect of loans contracted from Third Parties and advances obtained from Affiliated Companies, to the extent that such loans and advances are allocated solely to the financing of a Field's Development Expenses, and do not exceed seventy-five percent (75%) of the total amount of these Development Expenses.

These loans and advances shall be submitted for administration approval under the conditions provided in article 72.3 of the Petroleum Code, except as otherwise provided in article 17.4.c) of this Agreement.

Where the financing has been provided by Affiliated Companies, the eligible interest rates must not exceed the rates normally used in the international financial markets for similar loans.

2.2.11. National needs
The discount of twenty-five percent (25%) conceded to PETROCI on sales of Crude Oil and Natural Gas to meet national needs in accordance with article 27.2 of the Contract.

2.2.12. Training expenses, social services and provision of equipment and materials
All expenses and costs incurred under article 30 of this Agreement.

2.2.13. Other expenses
All expenses borne and paid by the Contractor for the necessary and correct performance of the Petroleum Operations within the context of the Annual Work Programs and approved Budgets, with the exception of expenses covered and paid by the foregoing provisions in this article and the expenses excluded from the Petroleum Costs.

These other expenses include, in particular, foreign exchange losses actually incurred by the Contractor in performing the Petroleum Operations.

2.3. Expenses not attributable to the Petroleum Costs Account
The expenses that are not related to performing the Petroleum Operations, and the expenses excluded according the provisions of the Agreement or this Accounting Procedure and by the Petroleum Code and its implementing decree, are not attributable to the Petroleum Costs Account and thus are not recoverable.

These expenses notably include:

a) the expenses relative to the period prior to the Effective Date save for the provisions in article 16.7;

b) all expenses relative to the Operations performed beyond the Point of Delivery, such as transportation and marketing expenses;

c) the financial expenses relative to financing the Petroleum Exploration Operations, and those relative to the portion of financing the Development Expenses exceeding seventy-five percent (75%) of the total amount of the Development Expenses;

d) the bonuses defined in article 19 of this Agreement.

e) foreign exchange losses other than those indicated in article 2.2.13 of this Accounting Procedure.

Furthermore, the charges indicated in articles 17.4.d), and 17.4.g) of this Agreement, although deductible from net profits for purposes of the industrial and commercial income tax, cannot be chargeable to the Petroleum Costs Account due to how they are defined.

2.4. Credits posted to the Petroleum Costs Account
The following revenue and income shall specifically be credited to the Petroleum Costs Account:

a) revenue derived from selling the quantity of Hydrocarbons available to the Contractor, in accordance with articles 16 and 21 of this Agreement, for recovery of the Petroleum Costs;
b) all other revenue or income related to the Petroleum Operations, especially those derived from:

- the sale of related substances;
- all services rendered to Third Parties using the facilities allocated to the Petroleum Operations, especially the processing, transportation and storage of products for Third Parties in these facilities;
- the transfer of assets of the Contractor, and the transfer of some or all of the rights and obligations of the Contractor according to article 35 of this Agreement;
- foreign exchange gains actually realised by the Contractor in performing the Petroleum Operations.

Article 3. BASIS FOR CHARGING THE COST OF SERVICES, MATERIALS AND EQUIPMENT USED IN THE PETROLEUM OPERATIONS.

3.1. Rendering technical services
A reasonable fee shall be charged for technical services rendered by the Contractor or its Affiliated Companies for the Petroleum Operations performed pursuant to the Agreement, such as analyses of gas, water, core bores and all other tests and analyses, provided that such costs do not exceed those normally charged for similar services by independent technical service companies and laboratories, taking into account the quality and availability of those services.

3.2. Purchase of materials and equipment
The materials and equipment purchased from Third Parties that are necessary for the Petroleum Operations performed within the context of the Agreement shall be charged to the Petroleum Costs Account at the "Net Cost" borne by the Contractor.

The "Net Cost" shall include the cost of purchasing materials and equipment and items such as taxes, customs agent fees, transportation, loading and unloading expenses and licensing fees, relative to the supply of materials and equipment, as well as transit losses not recovered through insurance.

3.3. Use of equipment and facilities owned exclusively by the Contractor
The equipment and facilities owned by the Contractor and used for the Petroleum Operations shall be charged to the Petroleum Costs Account at a lease rate that shall be sufficient to cover the maintenance, repairs, depreciation and services provided to the Petroleum Operations,

provided that such costs do not exceed those normally charged by Third Parties in the Republic of the Republic of Côte d'Ivoire for similar services and taking into account the quality and availability of those services.

3.4. Valuation of equipment

Any equipment transferred to the Republic of Côte d'Ivoire from the warehouses of the Contractor or any of the entities comprising the Contractor or their Affiliated Companies shall be valued as follows:

a) New equipment

New equipment (condition "A") is new equipment that has never been used: one hundred percent (100%) of the current market price, which corresponds to the price that would normally be invoiced under free market conditions between an independent buyer and seller for similar supplies.

b) Equipment in good condition

Used equipment in good condition (condition "B") is equipment in good condition that is still usable for its initial intended purpose, without repairs: seventy-five percent (75%) of the price of new equipment.

c) Other used equipment

Other used equipment (condition "C") is equipment that is still usable for its initial intended purpose, after repair and reconditioning, fifty percent (50%) of the price of new equipment.

d) Equipment in poor condition

Equipment in poor condition (condition "D") is equipment that is no longer usable for its initial intended purpose, but only for other services: twenty-five percent (25%) of the price of new equipment.

e) Scrap and waste

Scrap and waste (condition "E") is equipment that cannot be used or repaired: current price for scrap.

3.5. Materials and equipment transferred by the Contractor

The materials and equipment acquired by all of the entities comprising the Contractor shall be valued based upon the conditions defined in article 3.4 of this Accounting Procedure.

The materials and equipment acquired by any of the entities comprising the Contractor, or by Third Parties, shall be valued based upon sales price obtained, which shall not under any circumstances be less than the price determined according to the conditions defined in article 3.4 of this Accounting Procedure.

The corresponding amounts shall be credited to the Petroleum Costs Account.

Article 4. INVENTORIES

4.1. Frequency

The Contractor shall keep a permanent inventory of quantities and values of all assets used for the Petroleum Operations and, at reasonable intervals, shall carry out physical inventories as required by the Parties in accordance with the Best Industry Practice in the international petroleum industry.

4.2. Notification

A written notification of the intent to take inventory shall be sent by the Contractor at least ninety (90) days before the start of said inventory, so that the Government and the entities comprising the Contractor may be represented, at their expense, during inventory operations.

4.3. Information
In the event that the Government or an entity comprising the Contractor is not represented during an inventory, said Party or Parties shall be bound by the inventory prepared by the Contractor, which shall then provide said Party or Parties with a copy of said inventory in accordance with the Best Industry Practice in the international petroleum industry.

Article 5. FINANCIAL AND ACCOUNTING STATEMENTS
The Contractor shall provide the Government with all reports, records and statements indicated in the provisions of the Agreement and current legislation, and especially the following accounting and financial statements:

5.1. Statement of exploration work obligations
This annual statement shall be submitted within forty five (45) days after the end of each Contractual Year relative to exploration periods.

It shall provide a detailed statement of the work and exploration expenses carried out by the Contractor to perform the obligations set forth in article 4 of this Agreement, specifically excluding appraisal wells and the corresponding Appraisal Expenses as well as Development Expenses, Production Expenses, Overheads in the Republic of Côte d'Ivoire and bonuses.

5.2. Petroleum Costs recovery statement
A quarterly statement shall be submitted within forty five (45) days after the end of each Calendar Quarter. It shall indicate the following items of the Petroleum Costs Account:

a) the amount of Petroleum Costs still to be recovered at the beginning of the Calendar Quarter;

b) the amount of Petroleum Costs relative to the Calendar Quarter in question, recoverable according to the provisions of the Agreement;
c) the quantity and the value of the production of Hydrocarbons taken during the Calendar Quarter by the Contractor to recover Petroleum Costs;
d) the amount of income or proceeds credited pursuant to article 2.4.b) of this Accounting Procedure during the quarter;
e) the amount of Petroleum Costs still to be recovered at the end of the Calendar Quarter.

Furthermore, an annual Petroleum Costs recovery statement shall be submitted before the end of February of each Calendar Year.

5.3. Production Statement
After production begins, a monthly production statement shall be submitted within no more than fifteen (15) days after the end of each month.

For each month, it shall present details of the production of each Field, and especially the quantities of Hydrocarbons:

a) in stock at the beginning of the month;

b) lifted during the month;
c) lost and used for the needs of the Petroleum Operations;
d) in stock at the end of the month.

APPENDIX 3

Attached to and forming an integral part of this Agreement between the Republic of Côte d'Ivoire and the Contractor.

BANK GUARANTEE

This bank guarantee is issued on this (indicate issuance date) …… by the company …… (indicate name of BANK), a joint-stock company with share capital of ……., registered under number……, with registered office in …….., represented herein by Mr ……. ,……..(indicate capacity of signer), hereinafter referred to as the "**Bank**",

WHEREAS

(A) **The company,** a company incorporated under the laws of…, hereinafter referred to as "……," represented herein by **Mr……..,** entered into a Hydrocarbons Production Sharing Agreement relative to block CI-…… (hereinafter referred to as the "**PSA**") with the Government on ……[date]…….

(B) In accordance with article 4.8 of the PSA, the Contractor agrees to provide the Government with a bank guarantee for performance of the minimum exploration work programs as defined in article 4 of the PSA.

(C) The Bank, at the request of the Contractor, agrees to provide this bank guarantee in favour of the Government, for the Guaranteed Amount as defined in article 3 below.

NOW, THEREFORE, the Bank issues this guarantee on the following items:

1. DEFINITIONS AND INTERPRETATION

Unless otherwise expressly defined in this guarantee, the terms contained herein shall be defined in the same manner as in the PSA.
For the purposes of this guarantee, a business day is understood to be any day from Monday through Friday excluding bank holidays in the Republic of Côte d'Ivoire.

2. EFFECTIVE DATE

This bank guarantee shall become effective and valid as of the date of issuance (the "**Effective Date**") and remains in effect until cancellation or termination in accordance with article 4 below.

3. PAYMENT OF THE GUARANTEED AMOUNT

The Bank shall pay the Government the Guaranteed Amount within eight (8) business days following receipt of the following documents:

3.1 Receipt by the Bank of a written request from the Government accompanied by the original written statement sent by an authorised representative of the Contractor to the Government, indicating that the Contractor does not intend to perform or pursue the minimum exploration program defined in accordance with the terms and conditions of the PSA or

3.2 Receipt by the Bank of a written request from the Government accompanied by a copy of the formal notice sent by the Government to the Contractor to remedy its default with regard to the minimum exploration work program as specified in article 4 of the PSA, which has remained without effect for thirty (30) days following receipt of said notice.

"Guaranteed Amount" means (i) an amount equal to US$ ……, or (ii) an amount equal to the balance of this amount as it is reduced in accordance with article 4 of the PSA.

4. CANCELLATION AND/OR TERMINATION OF THE BANK GUARANTEE

4.1. The obligations of the Bank vis-à-vis the Government by virtue of this bank guarantee shall end when one of the following situations occurs:

4.1.1. Receipt by the Bank of a notification from the Government indicating that the Contractor performed the minimum exploration work indicated in the PSA, or

4.1.2. Receipt by the Bank of a written notification from the Government indicating that the Contractor made a payment corresponding to the indemnity indicated in article 4.10 of the PSA.

4.2. This bank guarantee is constituted for the duration of the exploration period, and its initial amount shall be adjusted and shall terminate in accordance with the provisions of article 4.8 of this Agreement.

5. LIABILITY

The liability of the Bank regarding this bank guarantee vis-à-vis the Government is strictly limited to the Guaranteed Amount.

6. NOTIFICATION

All notifications, requests, applications and other communications regarding this bank guarantee shall be made in writing or by fax and sent to the party in question at the address indicated below:

The Bank: [bank coordinates to be completed]
The Government: The Minister of Mines, Petroleum and Energy Fax no.: ... ...
The Contractor: ... ... Fax no.: ... ...

7. APPLICABLE LAW

This guarantee shall be governed and interpreted according to the law of the Republic of Côte d'Ivoire.

8. ARBITRATION

All disputes arising out of the interpretation or application of this guarantee shall be definitively resolved by arbitration in accordance with the provisions of article 32 of this Agreement.

In witness whereof, the Bank issues this guarantee.

Done in Abidjan, on _____

Signature: _____

Name: _____

Capacity: _____

APPENDIX 4

Attached to and forming an integral part of this Agreement between the Republic of Côte d'Ivoire and the Contractor.

PERFORMANCE BOND

Whereas ……., a Company incorporated under the laws of [Country], with registered office in…….., hereinafter referred to as the "**Guarantor**," is the sole shareholder of …….**,** a Company incorporated under the laws of……., with registered office in ……..,, hereinafter referred to as " **the Contractor"**

Whereas the Contractor entered into a Production Sharing Agreement (hereinafter referred to as the "**Agreement**") dated …….. with the Republic of Côte d'Ivoire (hereinafter referred to as the "**Government**"), corresponding to the Delimited Region defined in Appendix 1 to said Agreement;

Whereas the Contractor is bound to its portion of the obligations pursuant to the Agreement vis-à-vis the Government;

THE GUARANTOR AGREES AS FOLLOWS:

The Guarantor hereby acknowledges that it is fully informed of the legal and contractual obligations assumed by the Contractor within the context of this Agreement and guarantees that it shall make available to the Contractor all technical and financial resources, personnel and equipment necessary for the Contractor to fully perform its obligations pursuant to this Agreement , provided that the liability of the Guarantor shall not exceed the lesser of:

a. the Contractor's share of the obligations under the Agreement;
b. One-hundred million US Dollars (US$100,000,000) during the exploration period; and
c. Two-hundred million US Dollars (US$200,000,000) during the exploitation period..

This performance bond shall become effective on the date of its signature and shall remain in force until full discharge of the Contractor's obligations resulting from the Agreement.

Unless agreed otherwise in writing between the Government and the Contractor, this performance bond will not be affected by changes which may be made to the provisions of this Agreement.

No delay by the Government in asserting its rights derived from the Agreement may be interpreted as a waiver of such rights.

Any dispute arising between the Government and the Guarantor resulting from the application or interpretation of this performance bond shall be resolved by arbitration in accordance with the provisions of article 32 of the Agreement.

Executed on this ……..By: **……**

Title: **……..**

REPUBLIC OF COTE D'IVOIRE
Unity – Discipline - Labour

HYDROCARBONS
PRODUCTION SHARING AGREEMENT

BLOCK CI-707

21 December 2017

TABLE OF CONTENTS

AGREEMENT

BY AND BETWEEN

The Republic of Côte d'Ivoire, hereinafter referred to as the "Government," represented herein by the Minister of Petroleum, Energy and Development of Renewable Energies, **Mr. Thierry TANOH,** the Secretary of State to the Prime Minister in charge of the State Budget and Portfolio, **Mr. Moussa SANOGO**, and the Minister of Economy and Finance, **Mr. Adama KONE** , duly authorised to sign hereunder;

as the first party,

AND

BP Exploration Operating Company Limited], a company incorporated under the laws of England, headquartered at Chertsey Road, **Sunbury-on-Thames, Middlesex, TW16 7LN**, United Kingdom hereinafter referred to as "BP" and represented herein by **Mr. Andrew MCAUSLAN, Head of Business Development;**

KOSMOS ENERGY COTE D'IVOIRE, a company incorporated under the laws of Cayman Islands, headquartered on the 4th floor, Century Yard, Cricket Square, PO Box 32322 George Town, Grand Cayman, KY1, 1209, hereinafter referred to as " **KOSMOS**" and represented herein by **Mr. Brian F. Maxted, Chief Exploration Officer;**

PETROCI HOLDING, the Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire, hereinafter referred to as "**PETROCI**," an Ivoirian company headquartered at Immeuble Les Hévéas, 14, Boulevard CARDE, BP. V194 Abidjan Plateau and represented herein by its President, **Mr. Ibrahima DIABY**;

as the second party,

RECITALS

- In accordance with the provisions of article 2 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, all Fields or natural accumulations of Hydrocarbons in the soil or the subsoil of the Republic of Côte d'Ivoire territory, its territorial waters, its exclusive economic zone and continental shelf, whether or not discovered, are and remain the exclusive property of the State;

- The discovery and production of Hydrocarbons are important for the interests and economic development of the country and its inhabitants;

- In accordance with the provisions of article 5 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, the State may authorise Ivoirian or foreign legal entities to engage in the exploration, production, transport, storage, transformation and sale of

Hydrocarbons, pursuant to a petroleum contract entered into by and between these entities and the State;

- In accordance with the provisions of article 6 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, the State designated PETROCI to participate in the Petroleum Operations under this Agreement;

- The Government hopes to develop and promote the Delimited Region, and the Contractor wishes to cooperate with the Government by helping it explore and develop the potential resources of the Delimited Region and thereby encourage the economic expansion of the country;

- In accordance with Article 1 of Decree No. 2014-248 dated 8 May 2014 which delegated the powers to sign petroleum contracts, the Minister in charge of Petroleum, the Minister of Economy and Finance and the Minister in charge of the Budget have delegated powers to jointly sign the petroleum contracts on the Government's behalf;

- The Contractor states that it has the capital, technical capacity and organizational skills necessary to successfully perform the Petroleum Operations specified below in the Delimited Region;

- The Council of Ministers, in its session held on 20 December 2017, granted its approval for the signing of this Agreement;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1: DEFINITIONS

The terms used herein are defined as follows:

1.1. CALENDAR YEAR means a period of twelve (12) consecutive months beginning on the first (1st) of January and ending on the thirty-first (31st) of December thereafter, according to the Gregorian calendar.

1.2. CONTRACTUAL YEAR means a period of twelve (12) consecutive months beginning on the Effective Date, or the anniversary of said Effective Date.

1.3. FISCAL YEAR means a period of twelve (12) consecutive months beginning on the first (1st) of January and ending on the thirty-first (31) of December thereafter.

1.4. BARREL means "U.S. barrel," i.e., 42 U.S. gallons measured at a temperature of 60° F and at the atmospheric pressure of 14.696 p.s.i.a.

1.5. BUDGET means the quantified estimate, on an item-by-item basis, of the Petroleum Operations appearing in an Annual Work Program.

1.6. CCI has the meaning attributed to it in article 18.5.

1.7. GENERAL TAX CODE means the collection of the legislative and regulatory provisions of the Ivorian tax law which was codified by Law No. 63-524 of 26 December 1963, amended by article 45 of Law No. 2003-206 of 7 July 2003 setting the Finance Law for 2003, and which incorporates each year, after adoption of the Finance Law, the legislative and regulatory provisions affecting Ivorian tax law.

1.8. PETROLEUM CODE means Law No. 96-669 of 29 August 1996, which came into force on 29 August 1996, as amended and in force on the Effective Date.

1.9. COORDINATION COMMITTEE has the meaning attributed to it in article 37.1.

1.10. CONTRACTOR means, collectively or individually, **BP, KOSMOS** and **PETROCI**, as well as any entity to which they may assign an interest pursuant to articles 35.1 and 35.2.

On the Effective Date of this Agreement, the rights and obligations arising from this Agreement between the entities that make up the Contractor shall be based on the following participations:

BP: 45%
KOSMOS: 45%
PETROCI: 10%

1.11. AGREEMENT means this Agreement and the appendices hereto, which are an integral part hereof, as well as any extension, renewal, substitution or modification of this Agreement, decided by mutual agreement between the Parties.

1.12. PETROLEUM COSTS mean all expenses actually borne and paid by the Contractor to perform the Petroleum Operations set forth in this Agreement, determined according to the Accounting Procedure indicated in Appendix 2.

1.13. CPI has the meaning attributed to it in article 16.3.

1.14. EFFECTIVE DATE means the date on which the Agreement becomes effective, as defined in article 38.

1.15. DOLLAR means Dollar of the United States of America.

1.16. FORCE MAJEURE has the meaning attributed to it in article 33.2.

1.17. NATURAL GAS means methane, ethane, propane, butane and gaseous hydrocarbons, either wet or dry, whether or not associated with Crude Oil, as well as all other gaseous products extracted in association with the hydrocarbons, specifically nitrogen, hydrogen sulphide, carbon dioxide, helium and steam.

1.18. ASSOCIATED NATURAL GAS means the Natural Gas existing in a reservoir in solution with the Crude Oil, or in the form of a "gas cap" in contact with the Crude Oil, and which is produced or may be produced in association with the Crude Oil.

1.19. NON-ASSOCIATED NATURAL GAS means natural gas excluding Associated Natural Gas.

1.20. FIELD means an accumulation of Hydrocarbons, in one or more superimposed horizons that has been properly evaluated in accordance with the provisions of article 11.

1.21. HYDROCARBONS mean Crude Oil and Natural Gas.

1.22. TAXES AND/OR CHARGES means all compulsory, definitive and unrequited pecuniary payments required by the State or its branches from any individual or corporate person as a result of the exercise in the Republic of Côte d'Ivoire of an activity, the possession of property, capital, the performance of an act or use of a service, and includes any penalties that may be attached to such payments.
Duties and taxes include, but are not limited to, income taxes, taxes on industrial and commercial profits (Bénéfices Industriels et Commerciaux, or BIC), taxes on non-commercial profits (Bénéfices Non Commerciaux, or BNC), taxes on agricultural profits (Bénéfices Agricoles, or BA), General Income Tax (Impôt Général sur le Revenu, or IGR), Value Added Tax (Taxe sur la Valeur Ajoutée, or VAT), the tax on banking transactions, excise duties, property tax (tax on property and on income derived from property), the business license tax (Contribution des patentes), taxes on wages and salaries, and the various related levies made at source related thereto, registration and stamp duties, royalties, customs duties or taxes, and any other similar compulsory levies.

1.23. OPERATOR has the meaning attributed to it in article 2.8.

1.24. PETROLEUM OPERATIONS means all exploration, appraisal, development, production, abandonment, transport, processing (with the exception of refining) and marketing

of Hydrocarbons and, in general, any other operations directly related thereto, that are performed within the context of this Agreement.

1.25. ADDITIONAL PARTICIPATION has the meaning attributed to it in article 22.2.a).

1.26. INITIAL PARTICIPATION has the meaning attributed to it in article 22.1.

1.27. PARTIES means the Government and the Contractor; and **PARTY** means the Government, the Contractor, or any of the entities that make up the Contractor**.**

1.28. **APPRAISAL PERIMETER** means any portion of the Delimited Region where one of the Hydrocarbons discoveries has been made the size of which shall be evaluated, for which the Government has granted the Contractor an exclusive appraisal permit in accordance with the provisions of article 11.3.

1.29. **PRODUCTION PERIMETER** means any portion of the Delimited Region for which the Government has granted the Contractor an exclusive production permit in accordance with the provisions of article 12.

1.30. **CRUDE OIL** means crude mineral oil, asphalt, ozokerite and all sorts of Hydrocarbons and bitumens, either solid or liquid, in their natural state or obtained from Natural Gas by condensation or extraction, including condensate and liquid Natural Gas.

1.31. **CUBIC FOOT** means the quantity of Natural Gas contained in a volume of one (1) cubic foot measured at a temperature of 60° F and at an atmospheric pressure of 14.696 p.s.i.a.

1.32. **ABANDONMENT PLAN** has the meaning attributed to it in article 20.7.

1.33 POINT OF DELIVERY OF NATURAL GAS means a point of transfer agreed upon by the Parties at the time the development and production plan is submitted.

1.34 POINT OF DELIVERY OF CRUDE OIL means the F.O.B. point of connection between the loading facilities and the vessel loading the Crude Oil produced pursuant to this Agreement in the Republic of Côte d'Ivoire, or any other transfer point established by mutual agreement of the Parties.

1.35 MARKET PRICE has the meaning attributed to it in article 18.1.

1.36 REMAINING PRODUCTION has the meaning attributed to it in articles 16.3 and 21.3 applicable to Crude Oil and Natural Gas respectively.

1.37. **TOTAL PRODUCTION** means the Total Production of Natural Gas and the Total Production of Crude Oil.

1.38 TOTAL PRODUCTION OF NATURAL GAS means the total Natural Gas production from the Delimited Region as a whole less the quantities used for the needs of Petroleum Operations, unavoidable losses and, subject to the provisions of article 21.2.3, the quantities of Natural Gas that were burned.

1.39 TOTAL PRODUCTION OF CRUDE OIL means the total Crude Oil production obtained from the Delimited Region as a whole less the quantities used for the needs of Petroleum Operations and unavoidable losses.

1.40 DAILY TOTAL PRODUCTION OF NATURAL GAS has the meaning attributed to it in article 21.3.

1.41 DAILY TOTAL PRODUCTION OF CRUDE OIL has the meaning attributed to it in article 16.3.

1.42 ANNUAL WORK PROGRAM means the descriptive itemized document of the Petroleum Operations to be performed during a Calendar Year in the Delimited Region, and if applicable in each Production Perimeter, established in accordance with the provisions of articles 4 and 5.

1.43 BEST INDUSTRY PRACTICE means the good and prudent practices of the petroleum industry including in matters of, but is not limited to, preservation of the environment, of engineering, of well conservation and exploitation principles; of hygiene, of health, and of general safety used in the international petroleum industry under similar circumstances.

1.44. DELIMITED REGION means the area indicated in article 2.7 to which the Government, within the context of this Agreement, grants the Contractor exclusive exploration rights.

The areas relinquished by the Contractor in accordance with the provisions of articles 3.5 and 3.6 shall be considered as no longer a part of the Delimited Region which shall then be reduced accordingly. On the other hand, the Production Perimeter(s) and the Appraisal Perimeter(s) shall be an integral part of the Delimited Region during the term of validity of the corresponding exclusive production permit and the exclusive appraisal permit(s).

1.45. **AFFILIATED COMPANY** means:

- a company or any other entity that controls or is controlled, directly or indirectly, by any entity comprising the Contractor;
- or a company or any other entity that controls or is controlled, directly or indirectly, by a company or entity that itself directly or indirectly controls any entity comprising the Contractor.

Such "**control**" means direct or indirect ownership by a company or any other entity of more than fifty percent (50%) of the voting shares of capital stock of another company.

1.46. THIRD PARTY means any individual or legal entity, other than the Contractor, the State and the Government that is not within the context of the preceding definition at article 1.45.

1.47. CALENDAR QUARTER means a period of three (3) consecutive months beginning on the first day of January, April, July or October during a Calendar Year.

<u>ARTICLE 2:</u> SCOPE OF APPLICATION OF THE AGREEMENT

2.1. This Agreement is a Production Sharing Agreement governed by the provisions hereunder.

2.2. The Government authorises the Contractor, under the conditions set forth herein, to exclusively perform all of the Petroleum Operations that are appropriate and necessary within the context of this Agreement.

2.3. The Contractor undertakes to carry out all of the work necessary for performing the Petroleum Operations set forth in this Agreement, in accordance with Best Industry Practice, and to be subject to the laws and regulations in effect in the Republic of Côte d'Ivoire unless otherwise provided by the Agreement.
2.4. The Contractor shall provide all financial and technical means necessary for the proper development of the Petroleum Operations in accordance with the Best Industry Practice.

2.5. The Contractor shall solely assume the financial risk related to performing the Petroleum Operations. The related Petroleum Costs shall be recoverable by the Contractor in accordance with the provisions of article 16 and 21.

2.6. In the event of production, the Total Production resulting from the Petroleum Operations, during the period of validity of this Agreement, shall be shared between the Parties under the conditions defined in articles 16 and 21.

2.7. As of the Effective Date, the Delimited Region corresponds to the zone defined in Appendix 1.

2.8. As of the Effective Date the Government approves the appointment of:
- KOSMOS as operator ("**Operator**") in charge of directing and performing the Petroleum Operations in the name and on behalf of the Contractor from the Effective Date;
- BP as Operator in charge of directing and performing the Petroleum Operations in the name and on behalf of the Contractor from the first discovery of Hydrocarbons as notified in Article 11.1.

Any change in Operator shall be submitted to the Government in advance for approval.

The Operator, in the name and on behalf of the Contractor, shall send the Government all reports, information and data stipulated under this Agreement, and especially including the association agreement and all agreements relevant to the Petroleum Operations, as applicable, binding the entities comprising the Contractor.

ARTICLE 3: DURATION OF EXPLORATION PERIODS AND RELINQUISHED AREAS

3.1. The exclusive exploration permit is hereby granted to the Contractor for an initial exploration period of three (3) Contractual Years, for the entire Delimited Region, extended, if applicable, in accordance with the provisions of article 3.4.

3.2. If the Contractor, upon expiry of the initial exploration period indicated above, conditional on having met the exploration work commitments as defined in article 4.2, so requests, a second exploration period shall be authorised for three (3) Contractual Years from the expiration date of the first exploration period, extended, if applicable, in accordance with the provisions of article 3.4.

3.3. If the Contractor so requests, upon expiration of this second exploration period, conditional on having met the exploration work commitments as defined in article 4.3, so requests, a third exploration period shall be authorised for three (3) Contractual Years from the expiration date of the extended second exploration period, extended, if applicable, in accordance with the provisions of article 3.4.

3.4. The requests indicated in articles 3.2 and 3.3 shall be made at least sixty (60) days before expiration of the current exploration period.
If the expiration date of an exploration period occurs while the drilling of an exploration well or the production tests in an exploration well are being performed, or temporary or definitive work to abandon an exploration well is in progress, said exploration period shall be extended for the time necessary for the completion and well testing or abandonment work, provided that said extension does not exceed ninety (90) days. The Contractor shall notify the Government of said extension within seven (7) days prior to the normal expiration date of the current exploration period.

3.5. The Contractor shall have to relinquish at least the following areas:

a) twenty-five percent (25%) of the initial area of the Delimited Region upon expiration of the first exploration period; and
b) twenty-five percent (25%) of the initial area of the Delimited Region upon expiration of the second exploration period.

The area shall be relinquished in a simple geometric shape, i.e. an area of no more than 15 lines, bounded by the North/South, East/West lines or by the initial limits of the Delimited Region.
The area corresponding to any Production Perimeter or Appraisal Perimeter shall be deducted from the initial area of the Delimited Region before calculating the relinquished areas.
The areas previously abandoned, in accordance with the provisions of article 3.6, shall be deducted from the areas to be relinquished.

Subject to compliance by the Contractor with the foregoing requirements, the Contractor may freely select the zone within the Delimited Region to be relinquished.

The Contractor agrees to provide the Government with an accurate description and a map showing details of the areas relinquished and the areas retained as well as a report specifying the Petroleum Operations performed since the Effective Date on the relinquished areas and the results obtained.
The geometric shape and continuity of the relinquished areas are subject to approval by the Government.
The obligations indicated in article 8 of this Agreement shall be performed in their entirety for the relinquished areas.

3.6. During an exploration period, the Contractor, subject to sixty (60) days advance notice, may at any time notify the Government that it waives, in all or part of the Delimited Region, the rights conferred to it by this Agreement.

In the event of a partial waiver, the provisions of article 3.5 regarding relinquished areas shall be applicable.

No waiver during or after an exploration period shall reduce the work commitments and investment obligations indicated in article 4 for the ongoing exploration period.

In the event of a waiver, the Contractor shall have the exclusive right to retain, for the respective term of validity, the areas of the Appraisal Perimeters and Production Perimeters that were granted.

With respect to applications for Appraisal or Production Perimeters that were filed before the effective date of waiver, the Contractor shall also have the exclusive right to retain the corresponding areas if these subsequently give rise to the granting of an Appraisal Perimeter or of a Production Perimeter under the terms of this Agreement, and to carry out the Petroleum Operations.

3.7. At the end of the third exploration period defined in article 3.3., the Contractor shall abandon all of the remaining area of the Delimited Region, with the exception of the Appraisal Perimeters and the Production Perimeters granted as of said date or previously, or for which an authorisation request was filed if the same subsequently resulted in the granting of an Appraisal Perimeter or a Production Perimeter according to the conditions of this Agreement.

3.8. If, upon expiration of all of the exploration periods, the Contractor has not obtained an exclusive appraisal permit or an exclusive production permit, this Agreement shall end. Regardless of the above, if, before this date, an application for an exclusive appraisal permit or exclusive production permit has been filed, the Agreement will remain in force in the perimeter to which the exclusive appraisal permit or exclusive production permit relates until the Government decides on the Contractor's request.

If the Government rejects the application for an exclusive appraisal or exclusive production permit, this Agreement will terminate. If an exclusive appraisal permit or an exclusive production permit is granted, this Agreement will remain in force for the granted Appraisal Perimeters or Production Perimeters.

3.9. The expiration of this Agreement, or its termination for any reason whatsoever, shall not end the obligations of the Contractor in relation to the Agreement that were created before or at the time of said expiration or termination.

ARTICLE 4: EXPLORATION WORK COMMITMENTS

4.1. The Contractor shall begin the geological and geophysical work provided for in article 4.2 below, within three (3) months from the Effective Date.

4.2. During the first exploration period defined in article 3.1, the Contractor shall perform at least the following work in the Delimited Region:

- Acquisition, processing and interpretation of new 3D seismic covering a minimum of three thousand km² (3,000 km²).

4.3. During the second exploration period defined in article 3.2, the Contractor shall perform at least the following work in the Delimited Region:

- Geological, geophysical (G&G) and engineering studies;
- One (1) exploration well, firm.

4.4. During the third exploration period defined in article 3.3., the Contractor shall perform at least the following work in the Delimited Region:

- Geological, geophysical (G&G) and engineering studies;
- One (1) exploration well, firm.

4.5. Each of the exploration wells provided for in articles 4.3 and 4.4 shall reach the lesser of either:
- at least one hundred (100) meters into the Albian; or
- at least two-thousand five hundred metres (2,500), minimum depth, below the mud-line

In all cases, the exploration well can be stopped at a lesser depth if:

a) the base is at a depth that is less than the minimum contractual depth;

b) drilling the well presents an obvious danger;

c) rocky formations are found, the hardness of which does not allow, in practice, the well to be drilled, or

d) petroleum formations are found that, in order to be crossed, require casings to be installed for their protection, that do not allow for the minimum contractual depth to be reached.

If any of the reasons listed above exists, the exploration well shall be considered to have been drilled to the minimum contractual depth.

Notwithstanding any provision to the contrary in this Agreement, for the purposes of this article 4, exploratory drilling shall be any drilling executed in the Delimited Region outside any Appraisal Perimeter or any Production Perimeter existing on the date on which the drilling operations begin.

The wellbores drilled within the context of an exclusive appraisal permit shall not be considered as exploration wells and shall be governed by the provisions of article 11.

4.6. In order to perform the exploration work defined in articles 4.2 to 4.4 under the Best Industry Practice, the Contractor agrees to invest at least the following amounts:

a) Six million Dollars (US $6,000,000) during the first exploration period defined in article 3.1;

b) Eighteen million Dollars (US $ 18,000,000) during the second exploration period defined in article 3.2;

c) Eighteen million Dollars (US $ 18,000,000) during the third exploration period defined in article 3.3.

Notwithstanding the foregoing, if the Contractor, in an exploration period, has performed its work commitments for an amount less than that indicated above, it shall be considered as having performed its investment obligations for said period. On the other hand, the Contractor shall perform all of the work commitments specified for a given exploration period even if it requires an investment greater than that specified above for said period.

4.7. In the event that the Contractor, during a given exploration period, drills one or more additional exploration wells, this or these additional exploration wells may be carried forward to the period immediately thereafter if an application is filed by the Contractor at the time of renewal of said exploration period as specified in articles 3.2 and 3.3 above. This request, which will not be refused without reasonable grounds, must be accompanied by the work program that it agrees to perform during the exploration period subject to the carried forward, and shall indicate the estimated and related costs.

4.8. Each entity constituting the Contractor, except PETROCI, shall provide the Government with irrevocable bank guarantees that are acceptable to the Government, corresponding to the investments stipulated in article 4.6 proportionally to their participation and to their obligation to contribute to the Initial Participation of PETROCI, covering the performance of the minimum exploration work programs indicated in articles 4.2, 4.3 and 4.4, as follows:

a) Within no more than thirty (30) days after the Effective Date, the Contractor shall provide a bank guarantee in the amount of six million Dollars (US$ 6,000,000) to guarantee performance of the minimum exploration work program for the first exploration period in accordance with article 4.2.

The amount of the bank guarantee shall be reduced by:

- fifty percent (50%) of the original amount, i.e., three million Dollars (US $3,000,000) following delivery by the Operator to the Government of a copy of the contract for seismic data acquisition;
- twenty-five percent (25%) of the original amount, i.e. one million five hundred thousand Dollars (US $1,500,000) following the start of said acquisition work;
- twenty-five percent (25%)of the original amount, i.e. one million five hundred thousand Dollars (US $1,500,000) following completion of said acquisition work and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the first exploration period.

b) As of the start date of the second exploration period, the Contractor shall provide a bank guarantee for an amount of eighteen million Dollars (US $ 18,000,000) to guarantee performance of the minimum exploration work program indicated in article 4.3. The amount of the bank guarantee, adjusted to reflect the exploration wells drilled in advance during the previous exploration period and carried forward to the next exploration period in accordance with article 4.7, will be reduced by:

- fifty percent (50%) of the original amount, i.e., nine million Dollars (US $9,000,000) following delivery by the Operator to the Government of a copy of the contract for drilling;
- twenty-five percent (25%) of the original amount; i.e., four million and five hundred thousand Dollars (US $4,500,000) following the start of said drilling works;
- twenty-five percent (25%)of the original amount; i.e. four million and five hundred thousand Dollars (US $4,500,000) following completion of the drilling works and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the

second period and, approved by the Government in accordance with this Agreement.

c) As of the start date of the third exploration period, the Contractor shall provide a bank guarantee for an amount of eighteen million Dollars (US$18,000,000) to guarantee performance of the minimum exploration work program indicated in article 4.4. The amount of the bank guarantee, adjusted to reflect the exploration wells drilled in advance during the previous exploration period and carried forward to the next exploration period in accordance with article 4.7, will be reduced by:

- fifty percent (50%) of the original amount, i.e., nine million Dollars (US $9,000,000) following delivery by the Operator to the Government of a copy of the contract for drilling;
- twenty-five percent (25%) of the original amount, i.e., four million and five hundred thousand Dollars (US $4,500,000) following the start of said drilling works;
- twenty-five percent (25%) of the original amount, i.e. four million and five hundred thousand Dollars (US $4,500,000) following completion of the drilling works and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the third period and, approved by the Government in accordance with this Agreement.

The above bank guarantees shall be issued in terms that are comparable to the bank guarantee in Appendix 3 in accordance with the issuing bank and the Government's acceptance decision shall be made no later than ten (10) days from the date the bank guarantee was submitted by the Contractor. After this period has passed, the bank guarantee will be deemed to have been accepted.

4.9. The Operator shall notify the Government of the completion of the exploration work in the minimum exploration work program for a given exploration period. If the bank guarantee shall be released in accordance with article 4.8, within fifteen (15) days following notification by the Operator, the Government shall notify the bank of the release of the bank guarantee in the necessary amount or shall notify the Operator of its challenge relative to completion of the minimum exploration work program. The bank guarantee shall be released in accordance with the terms of article 4.8, unless a payment is due pursuant to article 4.10, in which case the bank guarantee shall be released once this payment is made.

4.10. If, for any reason except for a case of Force Majeure, the Contractor does not complete the minimum work program for a given exploration period under articles 4.2, 4.3 and 4.4, the Contractor shall pay an indemnity equal to the amount of the bank guarantee as reduced in accordance with Article 4.8 and this amount will be paid by the bank which issued the bank guarantee, under the terms and within the time periods stated in the bank guarantee given for each exploration period. Once payment has been made, this Agreement will terminate and the Contractor will be released from any work commitments.

ARTICLE 5: PREPARATION AND APPROVAL OF THE ANNUAL WORK PROGRAMS AND BUDGETS

5.1. At least two (2) months before the start of each Calendar Year, or for the first year no later than two (2) months after the Effective Date, the Contractor shall prepare and submit to the Government, for approval, an Annual Work Program as well as the corresponding Budget, for the entire Delimited Region, specifying the Petroleum Operations and the cost thereof that the Contractor proposes to perform during the Calendar Year in question, or the portion of the Calendar Year in question if an exploration period ends prior to the end of said Calendar Year. In the event of renewal of the exclusive exploration permit, the Contractor shall submit, within thirty (30) days following expiration of the previous exploration period, an Annual Work Program as well as the corresponding Budget for the first Calendar Year or the portion of the first Calendar Year of the next exploration period.

5.2. If the Government wants to propose revisions or modifications to the Petroleum Operations indicated in said Annual Work Program, within thirty (30) days following receipt of said program, it shall notify the Contractor of its intent to revise or modify it, presenting all justifications deemed appropriate. In this case, the Government and the Contractor shall meet to study and agree within fifteen (15) days thereafter the revisions or modifications requested and establish, by mutual agreement, the Annual Work Program and the corresponding Budget in the definitive form, according to the Best Industry Practice in the international petroleum industry. Nevertheless, during the exploration period, the Annual Exploration Work Program and the corresponding Budget prepared by the Contractor after the meeting indicated above shall be considered to be approved insofar as they satisfy the obligations established in article 4.

Each portion of the Annual Work Program and the Budget for which the Government has not requested a revision or modification within thirty (30) days as indicated above shall be performed by the Contractor within the specified time period, subject to article 5.3.

If the Government fails to notify the Contractor of its intended revision or modification within thirty (30) days as indicated above, the Annual Work Program and the corresponding Budget submitted by the Contractor shall be considered to be approved by the Government.

5.3. The Government and the Contractor acknowledge that the knowledge obtained as the work is performed or special circumstances may justify certain changes to certain details of the Annual Work Program. In this case, after notifying the Government, the Contractor may make these changes, provided that the fundamental objectives of said Annual Work Program are not modified.

ARTICLE 6: OBLIGATIONS OF THE CONTRACTOR REGARDING THE EXPLORATION PERIODS

6.1. The Contractor is responsible for the Petroleum Operations and consequently shall provide the following for performing these operations:

- all necessary funds,
- all required machinery, equipment and materials,
- all technical support, including the necessary personnel, subject to the provisions of article 30.

6.2. The Contractor is responsible for the preparation and performance of the Annual Work Programs, which it shall perform according to the Best Industry Practice in the international petroleum industry.

6.3. The Contractor shall take all reasonable and practical measures to:

a) ensure the protection of aquifers encountered during the course of its work;

b) perform the tests necessary to determine the value of significant shows encountered during drilling and the commercial nature of discoveries of any Hydrocarbons;

c) prevent losses and discarding of Hydrocarbons produced and losses and discarding of oil-based mud or any other product used in the Petroleum Operations according to Best Industry Practice in the international petroleum industry.

6.4. All of the work and facilities established by the Contractor by virtue of this Agreement, according to their nature and circumstances, shall be constructed, installed, placed, indicated, beaconed, signalled, equipped and maintained so as to permanently allow safe passage for navigation in the Delimited Region, and notwithstanding the foregoing, the Contractor, in order to facilitate navigation, shall install audio and visual equipment approved or required by the appropriate authorities notified to the Contractor by the Government, and maintain them to the complete satisfaction of said authorities in accordance with the law in force in the Republic of Côte d'Ivoire.

6.5. In exercising its right to construct, perform work and maintain all facilities necessary for purposes of this Agreement, the Contractor may not disturb any public place such as cemeteries, religious buildings, government buildings or those used for a public utility, without the prior consent of the Government, and shall pay the indemnities dues for any damage it causes in accordance with article 29.

6.6. The Contractor, during the Petroleum Operations, shall take all measures necessary to preserve the environment and comply with Best Industry Practice in the international petroleum industry and international conventions (and their amendments) to which the Government is a party relative to ocean water pollution by Hydrocarbons.

In order to prevent pollution, the Government, after consulting with the Contractor, may decide to take any additional measures it deems necessary to ensure preservation of the environment in accordance with the laws in force in the Republic of Côte d'Ivoire and international conventions on the environment to which the Government is a party.

6.7. The Contractor and its subcontractors shall have the obligation to give preference to Ivoirian services and products, under equivalent conditions in terms of price, quality, capacity, safety, environmental performance, term of delivery and term of payment. Ivoirian services and products mean the services produced or goods produced or supplied by a company that is registered in the Republic of Côte d'Ivoire.

Unless otherwise agreed by the Government, the Contractor and its subcontracts agree to call for bids from Ivoirian and foreign bidders for supply, construction or service contracts for an estimated amount greater than five hundred thousand Dollars (US $500,000) per contract in the exploration period, and one million Dollars (US $1,000,000) per contract in the production period, with the understanding that the Contractor shall not unnecessarily divide these contracts.

Copies of all contracts related to the Petroleum Operations shall be submitted to the Government as soon as possible after the time of signature.

6.8. The Contractor agrees to give preference, under equivalent economic conditions, to purchasing goods necessary for the Petroleum Operations instead of renting or otherwise leasing them.

For this purpose, all lease agreements for an estimated amount greater than five hundred thousand Dollars (US $500,000) shall be indicated by the Contractor in the Annual Work Programs.

ARTICLE 7: RIGHTS OF THE CONTRACTOR RELATING TO EXPLORATION PERIODS

7.1. Notwithstanding the provisions of this Agreement, the Contractor shall be entitled:

- **a)** to manage and control, under its entire responsibility, the Petroleum Operations in the Delimited Region;
- **b)** to access any location within the interior of the Delimited Region in order to perform the Petroleum Operations;
- **c)** to perform all acts, facilities, work, and operations necessary to perform the Petroleum Operations both inside and outside of the Delimited Region. The Contractor may choose the location of the facilities during the exploration periods in accordance with the regulations in force in the Republic of Côte d'Ivoire at such a location subject to (i) approval by the Government, which shall not be refused without a valid reason and (ii) conditions of article 2.3 and articles 6.4 to 6.6; and
- **d)** to exercise the rights conferred hereunder, through agents and independent contractors, and consequently to pay all of the related fees and expenses in the currency of choice of the Contractor, in accordance with the provisions of article 23.

7.2. The agents, employees and representatives of the Contractor or its independent subcontractors, for the purposes of the Petroleum Operations, may freely enter or exit the Delimited Region and access all facilities established by the Contractor.

7.3. The Contractor shall be entitled, by paying royalties in effect in the Republic of Côte d'Ivoire, to remove and use soil from under standing timber forests, sand, clay, lime, gypsum, stone and other similar substances necessary for performing the Petroleum Operations.

The Contractor, after reaching an agreement with the Government, may reasonably use these materials to perform the Petroleum Operations, free of charge, when they are located on land owned by the Government and placed near the land where the Petroleum Operations are being performed.

The Contractor, without making any payment, may take or use the water needed for the Petroleum Operations, provided that existing irrigation or navigation is not disturbed and that the land, homes or livestock watering places are not deprived from a reasonable quantity of water.

ARTICLE 8: ACTIVITY REPORTS DURING EXPLORATION PERIODS AND SURVEILLANCE OF PETROLEUM OPERATIONS

8.1. Subject to the provisions of article 8.4 below, the Government shall own and freely dispose of all original data and all final technical documents related to the Petroleum Operations, including but not limited to records, samples, geological, geophysical, petrophysical, drilling and production reports.

8.2. The Contractor agrees to provide the Government with the following periodical reports:

a) daily reports on the drilling activities;

b) weekly reports on geophysical activities;

c) within thirty (30) days following each Calendar Quarter, a report on the Petroleum Operations performed, as well as a detailed statement of Petroleum Costs for the previous Calendar Quarter;

d) before the end of February of each Calendar Year, an annual report on the Petroleum Operations performed, as well as a detailed statement of the Petroleum Costs for the previous Calendar Year.

8.3. Furthermore, the following reports or documents shall be provided to the Government, when they are prepared or obtained:

a) a copy of the geological study and summary reports as well as the related maps;

b) a copy of the geophysical surveys, reports on measurements, studies and geophysical interpretation, maps, profiles, sections or other related documents, and, upon the request of the Government, the original or an official copy of the recorded seismic magnetic tapes;

c) a copy of the installation and test bore completion reports for each wellbore, as well as a full set of recorded logs;

d) a copy of the test reports or production test reports as well as any study related to the bringing of a well on-stream or into production;

e) a copy of reports related to analyses performed on core bores and fluid analysis.

All maps, sections, profiles, logs and other geophysical documents shall be provided on transparent media suitable for subsequent reproduction.

A representative portion of core bores and drilling cuttings taken from each well and samples of fluids produced during the tests or production tests shall also be provided to the Government within a reasonable time period, and no later than sixty (60) days after the closure of the wells.

Upon expiration, or in the event of waiver or termination of this Agreement, the original final technical documents and samples related to the Petroleum Operations, including magnetic tapes, if so requested, shall be sent to the Government.

After having previously advised the Contractor, the Government may at any reasonable moment, during normal working hours and in accordance with the current security regulations, access the

Contractor's files related to the Petroleum Operations, at least one copy of which shall be retained in the Republic of Côte d'Ivoire.

8.4. The Parties agree to treat as confidential and not disclose to third parties any or all of the documents and samples related to the Petroleum Operations, during all exploration periods, as defined in article 3, during all appraisal periods, during all production periods, and in the event of the waiver of one zone, until the date of said waiver with respect to the documents and samples referring to the abandoned zone.

Nevertheless, the Government and each entity comprising the Contractor may at any time authorise access to these documents and samples by third parties of their choice. These may examine the documents and samples related to the Petroleum Operations and shall agree to treat them as confidential.

Notwithstanding the above, each entity comprising the Contractor can freely disclose the confidential data and information:

i. to any company interested in good faith in a potential assignment/acquisition or in an assistance in respect of the Petroleum Operations, after obtaining from this company, a commitment to keep such data and information confidential and to use them for the sole purpose of the aforesaid assignment or assistance;
ii. to any Affiliated Company of an entity comprising the Contractor, as well as to any external professional advisor, taking part in the Petroleum Operations, after obtaining a similar confidentiality commitment from the latter;
iii. to any bank or financial institution from which the Contractor seeks or obtains financing, after obtaining a similar confidentiality commitment from such institution;
iv. when and to the extent that the regulations of a recognized stock exchange or of a supervising or auditing administrative authority require it from one of the entities comprising the Contractor or one of its Affiliated Companies;
v. in the context of any judiciary, administrative or arbitral litigation procedure or if required by applicable law.

If it so deems necessary, the Government may decide to extend the period of confidentiality indicated in this article 8.4.

8.5. The Contractor shall keep the Government informed of its activities. In particular, the Contractor shall notify the Government as soon as possible, and at least fifteen (15) days in advance, of all Petroleum Operations forecast for the Delimited Region, such as geological campaigns, seismic campaigns, commencement of drilling, platform installation and any other important operation mentioned within the approved Annual Works Program.

In the event that the Contractor decides to abandon a wellbore, it shall so notify the Government within at least forty-eight (48) hours in advance of the abandonment.

8.6. One or more duly authorised representatives of the Government may, during normal business hours, after notice to the Operator, monitor the Petroleum Operations and, at reasonable intervals, inspect the work, facilities, equipment, materials, records and books related to the Petroleum Operations, provided that it does not cause a delay that may be detrimental to proper development of such operations. This representative specifically shall be entitled to be present during the

testing and abandonment of any well. It is understood that the notice will be given to the Operator sufficiently in advance to allow compliance with the Operator's rules in relation to security, health and safety rules, and to avoid any interference, obstruction or undue delay in the carrying out of the Petroleum Operations.

In order to allow the above-mentioned rights to be exercised, the Contractor shall provide the representatives of Government with reasonable assistance, especially with regard to insurance cover, means of transport, lodging, and duly justified assignment expenses, provided such does not violate any law applicable to a Party.

8.7. The Contractor shall inform the Government as soon as possible of any discovery of mineral substances within the Delimited Region.

ARTICLE 9: LAND OCCUPANCY

9.1. The Government, without monetary consideration, shall make available to the Contractor, solely for the needs of the Petroleum Operations, the land it owns that is necessary for said Operations. The Contractor may build and maintain, above and below that land, the facilities necessary for the Petroleum Operations.

The Contractor may not request the use of such land if it actually does not need it, and it shall refrain from claiming any land occupied by buildings or properties used by the Government. It is understood that the land belonging to public institutions or agencies under State control are not considered to be Government land.

The Contractor shall compensate the Government for any damage to land caused by the construction, use and maintenance of its facilities on said land. This indemnity will make up the recoverable Petroleum Costs.

The Government shall authorise the Contractor to construct, use and maintain a telephone, telegraph and piping system, above or below ground and throughout the land not owned by the Government, without claiming any compensation, provided that the Contractor causes the least damage possible to this land and in exchange pays the owners of this land reasonable compensation established by mutual agreement.

9.2. The rights to land owned by individuals necessary to perform the Petroleum Operations shall be acquired by a direct agreement between the Contractor and the individual in accordance with current legislation in the Republic of Côte d'Ivoire. In the event of disagreement, the Contractor may seek recourse through the Government, which will use eminent domain expropriation for public utility purposes, at the expense of the Contractor. In establishing the value of these rights, its intended purpose by the Contractor shall not be taken into consideration, and the Government agrees that no law or proceedings for said acquisition shall play a role in assigning an excessive value nor a confiscation value. These rights acquired by the Government shall be recorded in its name, but the Contractor may use them for the needs of the Petroleum Operations, free of charge, throughout the duration of this Agreement. The Government warrants that the Contractor shall be protected with respect to the use and occupancy of this land as if it had title to the property.

ARTICLE 10: USE OF THE FACILITIES

10.1. For the needs of the Petroleum Operations, the Contractor shall be entitled to use, under general law conditions in the Republic of Côte d'Ivoire, any railroad, road, airport, runway, canal, river, bridge, body of water and telephone or telegraph network in the Republic of Côte d'Ivoire, whether owned by the Government or any private business, by means of paying royalties in accordance with the laws that apply in the Republic of Côte d'Ivoire or those that are fixed by agreement but which will not be higher than the prices and tariffs provided to Third Parties for similar services.

Subject to approval by the Government, the Contractor shall also be entitled to use, at its own expense and risk, in accordance with the laws and regulations that apply in the Republic of Côte d'Ivoire and in accordance with the Best Practice of the international petroleum industry, the additions and changes to the facilities that are already in existence for the transport, the treatment or the storage of the Hydrocarbons, provided that such a right does not fetter the rights of Third Parties and does not cause them prejudice and that the additions and changes are necessary for the profitable exploration of the Hydrocarbons coming from the Delimited Region.

The Contractor will also be entitled, for the needs of the Petroleum Operations, to use all overland, ocean or air transportation resources for transporting its employees or equipment, provided that it complies with the laws and regulations that apply in the Republic of Côte d'Ivoire in using these means of transport.

10.2. The Government shall have the right to use any means of transport and communication put in place by the Contractor, through the payment of fair compensation to be fixed by mutual agreement, but which shall not be higher than the prices and rates granted to Third Parties for similar services, provided that, in the opinion of the Contractor, this use by the Government does not hinder the Petroleum Operations nor prejudice them.

Under the same conditions, in the event of national need, specifically national catastrophes, cataclysmic events, domestic or foreign perils, the Contractor shall make its resources available to the Government at its request.

10.3. This Agreement shall in no way limit the Government's right to build, operate and maintain on, under and throughout land made available to the Contractor for the needs of the Petroleum Operations, roads, railroads, airports, runways, canals, bridges, flood control projects, police stations, military facilities, pipelines, telegraph and telephone lines, provided that this right is not exercised in such a way as to jeopardise or hinder the rights of the Contractor pursuant to this Agreement, or the Petroleum Operations, or is detrimental to them, except in the case of national need.

Likewise, the Government may authorise persons to construct, operate and maintain the facilities in the Delimited Region provided that this right does not compromise or hinder the rights of the Contractor pursuant to this Agreement or the Petroleum Operations, or is not detrimental to them, except in the case of national need.

<u>ARTICLE 11:</u> APPRAISAL OF A HYDROCARBONS DISCOVERY

11.1. In the event that the Contractor discovers Hydrocarbon shows in the interior of the Delimited Region, it must notify the Government as soon as possible and submit, within thirty (30) days following the date of provisional shutting in or abandonment of the discovery well, a report providing all information relative to said discovery.

11.2. If the Contractor wants to perform the appraisal work for the Hydrocarbons discovery indicated in article 11.1 above, it shall submit to the Government for approval, within twelve (12) months following the date of notification of said discovery, a permit application for the duration of said works and the corresponding estimated Budget, as well as a map establishing the boundaries of the Appraisal Perimeter, for examination and approval by the Government.

The provisions of articles 5.2 and 5.3 shall apply, *mutatis mutandis*, to said appraisal program with regard to approval and performance, with the understanding that the submitted program cannot be rejected or modified by the Government if it complies with the Best Industry Practice in the international petroleum industry.

Notwithstanding any provisions to the contrary in this Agreement, the term for notification defined in articles 11.1 and 11.2 shall apply even in the event of expiration of an exploration period. The Government and the Contractor shall agree on the provisional Appraisal Perimeter that shall remain valid while the Contractor submits the application indicated in article 11.2 until expiration of the period indicated in the first section of article 11.2.

11.3. If the Contractor meets the conditions indicated in article 11.2, the Government shall grant it an exclusive appraisal permit for a term of four (4) years from the date of approval of the appraisal work program and the corresponding Budget, for the Appraisal Perimeter established in said program. Notwithstanding any specific provisions of this article, the Contractor, throughout the validity of said exclusive appraisal permit, shall be subject to the same system as that applicable to the exclusive exploration permit.

11.3.1. If the Government grants an exclusive appraisal permit under article 11.3, the Contractor shall then diligently perform the appraisal work program for the discovery in question, specifically drill the appraisal well and perform the production tests established in said program.

At the request of the Contractor, notified at least thirty (30) days before expiration of the appraisal period defined in article 11.3 above, the duration of said period may be extended for a maximum of twelve (12) months, provided that this extension is justified by the drilling of boreholes and production tests for the appraisal program.

11.3.2. Within three (3) months from the completion of the appraisal work, and no later than thirty (30) days before expiration of the appraisal period, the Contractor shall provide the Government with a detailed report providing all information relative to the discovery and its appraisal.

11.3.3. If the Contractor believes, after performing the appraisal work, that the Field corresponding to the Hydrocarbons discovery is commercial, it shall also submit to the Government, along with the above-mentioned report, an exclusive production permit application defined in article 11.3.2 above, accompanied by a detailed development and production plan for said Field that specifically includes the following:

a) the planned boundaries of the Production Perimeter requested by the Contractor, so that it covers the area defined by the enclosure of the field identified in article 11.1, as well as all technical justification concerning the scope of said Field;

b) an estimate of the reserves in place, recoverable, proven and probable reserves, and the corresponding annual production, as well as a study of any recovery and enhancement methods for Crude Oil associated products, such as Associated Natural Gas;
c) an item-by-item description of the facilities and work necessary for production, such as the number of development wells, the number and characteristics of pads, pipelines, production, processing, storage and loading facilities;
d) the estimated performance schedule and the planned date to begin production, and
e) the estimated investments and production expenses, as well as an economic evaluation confirming the commercial nature of the discovery identified in article 11.1.

11.3.4. The commercial nature of one or more Hydrocarbon Fields shall be evaluated at the discretion of the Contractor, provided that after the appraisal work, it submits to the Government the economic study indicated in article 11.3.3 e) confirming the commercial nature of said Field(s).

A Field may be declared to be commercial by the Contractor after having considered the operational and financial data collected during the performance of the exploration programme and the appraisal program, and including but not limited to the recoverable Hydrocarbon reserves, the durable production levels, the availability of the commercial markets and other technical and economic factors and according to the Best Industry Practice in the international petroleum industry.

11.3.5. In order to evaluate the commercial nature of the Field(s), the Government and the Contractor shall meet within ninety (90) days following submission of the development and production plan accompanied by the economic evaluation.

11.3.6. The development and production plan submitted by the Contractor shall be approved by the Government, which may not be withheld without a valid reason. Within ninety (90) days following submission of said plan, the Government may propose revisions or changes to the plan, notifying the Contractor with all necessary justifications. In this case, the Parties shall meet as soon as possible to examine the revisions or modifications requested and to establish the plan in its definitive form by mutual agreement; the plan shall be considered to be approved by the Government as of the date of said agreement.
If the Government fails to notify the Contractor of its proposed revision or modification within ninety (90) days as indicated above, the development and production plan submitted by the Contractor shall be considered to be approved by the Government upon expiration of said term.

11.4. When the Contractor does not wish to perform the appraisal work for the Hydrocarbons discovery indicated in article 11.1, the provisions of article 3.8 shall be applicable.

11.5. If, after the appraisal period defined in article 11.3., the Contractor justifies that bringing the evaluated Field on-stream is not very profitable due to current economic circumstances and that other discoveries are likely to be made in the rest of the Delimited Region that will allow all of the discoveries to be cumulatively declared to be commercial, it may petition the Government to allow it to retain its rights to the area delimiting the discovery for a duration that may not under any circumstances exceed that of all of the exploration periods.

11.6. If, for reasons that are not technically justified, the Contractor:
a) has not, within twelve (12) months following notification to the Government of a Hydrocarbon discovery, applied for an exclusive appraisal permit or

b) has not begun the appraisal work for said discovery within six (6) months after having obtained the exclusive appraisal permit or
c) within eighteen (18) months after completing the appraisal work, does not declare the discovery commercially viable,

the Government may request the Contractor abandon its rights to the area presumed delimits the said discovery without any indemnity in favour of the Contractor.

If, within sixty (60) days following the Government's request, the Contractor has not requested an exclusive appraisal permit, nor commenced the appraisal works nor declared that the discovery is commercially viable, if appropriate, the Contractor shall then abandon said area and shall lose all rights to the hydrocarbons that may be produced from said discovery; any area so relinquished shall be deducted from the areas to be relinquished pursuant to article 3.5.

11.7. Any quantity of Hydrocarbons produced from a discovery before it is declared to be commercial, if it is not used for the needs of the Petroleum Operations or lost, but if it is sold, shall be measured in accordance with the provisions of article 15.9 and included in the Total Production for application of the provisions of articles 16, 17 and 21.

11.8. Notwithstanding any provisions to the contrary in this article 11, if the Contractor believes that it can directly develop and produce a Hydrocarbons discovery without first performing all of the appraisal work, it may submit an exclusive production permit application accompanied by a detailed development and production plan in accordance with article 11.3.3, provided that it is able to justify in said plan that it has compiled sufficient information, especially with regard to production tests, showing that it is not necessary to perform appraisal work.

ARTICLE 12: GRANTING AN EXCLUSIVE PRODUCTION PERMIT RELATING TO A COMMERCIAL DISCOVERY

12.1. A commercial Hydrocarbons discovery gives the Contractor the exclusive right, if it submits an application under the conditions established in article 11.3.3, to obtain for such discovery an exclusive production permit covering the corresponding Production Perimeter.

12.2. If the Contractor makes several commercial discoveries in the Delimited Region, each of them, in accordance with the provisions of article 12.1, shall entitle the Contractor to an exclusive production permit, each corresponding to a Production Perimeter. The number of exclusive production permits and of related Production Perimeters in the Delimited Region is unlimited.

12.3. If, during the course of the work subsequent to granting the exclusive production permit, it appears that the area defined by the enclosure of the Field in question is greater than that initially projected in accordance with article 11.3.3, the Government shall grant the Contractor, within the context of the exclusive production permit already issued, an additional area so that the entire Field is covered by the Production Perimeter, provided, however, that the Contractor provides the Government, along with its application, with technical documentation justifying the requested extension.

12.4. In the event that a Field declared commercial extends beyond the limits of the Delimited Region, to areas that have been attributed to other entities, the Contractor, at the Government's written request, and after submission of a development and production plan for the said Field, by the Contractor or the owner(s) of the adjacent areas, must develop the mentioned Field in

association with the owner(s) of the adjacent areas according to the provisions of a "unitization" agreement.

In this case, the Contractor and the owner(s) of the adjacent areas agree to submit a joint development and production plan ("**Joint Plan**") for approval by the Government within no more than twelve (12) months after the Government makes its request.

The Joint Plan must comply with the Best Industry Practice in the international petroleum industry and will be treated in accordance with the provisions of article 11.3.6.

If the Contractor and the owner(s) of the adjacent areas do not submit the Joint Plan for approval by the Government within twelve (12) months as indicated above, the Government will appoint an independent consultant, from the lists of four (4) consultants proposed by each of the Contractor and the owner(s) of the adjacent areas within thirty (30) days after expiry of the above-mentioned twelve (12) month period.

The consultant so appointed by the Government shall prepare, in accordance with the Best Industry Practice in the international petroleum industry and within a period of ninety (90) days, a Joint Plan, based on the previous development plans submitted by the Contractor and by the owner(s) of adjacent areas. During this procedure, the consultant shall consult with the Parties and keep them regularly informed. At the end of his or her work, the consultant must submit the Joint Plan to the Government, to the Contractor and to the owner(s) of the adjacent areas.

The Government, the Contractor and the owner(s) of the adjacent areas shall meet as promptly as possible to examine any proposed reviews and changes, and by mutual agreement, establish the final version of the Joint Plan.

12.5. In the event that a Field that is declared to be commercial extends beyond the limits of the Delimited Region into a block that has not yet been assigned or that has not yet been negotiated with another company, the Government will give priority to the Contractor, according to the conditions defined in an agreement, for said adjacent block, if the Contractor so requests.

ARTICLE 13: DURATION OF THE PRODUCTION PERIOD

13.1. The duration of an exclusive production permit, during which time the Contractor is authorised to produce a commercial Field, is set at twenty-five (25) years from the date on which it is granted as stated in article 12.

If, upon expiry of the twenty-five (25) year production period defined above, the commercial production of a Field is still possible, the Government will authorise the Contractor, upon the latter's grounded request submitted at least twelve (12) months before the mentioned expiry, to, within the framework of this Agreement, continue production of the said Field during an additional period including the remaining commercial production period for the Field, where such duration cannot exceed ten (10) years, conditional on the Contractor having fulfilled its obligations during the current production period.

If, upon expiration of this additional production period, commercial production of said Field is still possible, the Contractor may request the Government, at least twelve (12) months before said expiration, to authorise it to pursue production of said Field, within the context of this Agreement, during an additional period to be agreed.

13.2. The Contractor may at any time waive any or all of an exclusive production permit, subject to advance notice of at least six (6) months, which may be reduced with the consent of the Government. This advance notice shall be accompanied by the list of measures that the Contractor waiving the permit agrees to take, in accordance with the Best Industry Practice in the international petroleum industry, at the time of such waiver, which shall not become effective until after the required abandonment.

13.3. The exclusive production permit may be withdrawn in the following cases:
a) the stopping of the development or production work in a Field declared to be commercial, during an uninterrupted term of at least six (6) months, except in the case of Force Majeure in accordance with article 33, without the approval of the Government, or
b) the abandonment of production of a Field with the exception of the provisions of article 13.2.

In the case of a Natural Gas Field, if the Natural Gas buyer(s) were unable or were unwilling to take delivery of the Natural Gas production under normal commercial conditions for a period of at least six (6) months, the Contractor may refer the matter to the Government in writing and the Contract will be extended for a period that is equal to that during which the production work was interrupted.

13.4. Upon expiration, waiver or withdrawal of the last exclusive production permit granted to the Contractor, this Agreement shall end.

13.5. The expiration or termination of this Agreement for any reason whatsoever shall not put an end to the Contractor's obligations created before or at the time of such expiration or termination and that must be performed, especially with regard to the provisions of article 20.

13.6. In the event of waiver by the Contractor of any or all of a Production Perimeter or withdrawal or expiration of an exclusive production permit, if the Government believes that production of the Field in question may be pursued by a new operator, the Government shall be entitled to have it produced, without any consideration for the Contractor. The Parties and the new operator will consult with each other in relation to a transition plan so as to ensure production continuity. In such a case, the Contractor will be released of all commitments and all liability resulting from this Agreement, especially the abandonment obligations provided under article 20.16.

<u>ARTICLE 14:</u> PRODUCTION OBLIGATION

14.1. For any Field entailing the grant of an exclusive production permit, the Contractor agrees to perform, at its expense and its own financial risk, all Petroleum Operations that are appropriate and necessary for production of said Field.

14.2. If the Contractor establishes, during the development period or during the production period, that production of a Field is not commercially profitable, although an exclusive production permit was granted in accordance with the provisions of article 12.1, the Government agrees to not require the Contractor to continue production of this Field.

In this case, the Government, at its discretion, may withdraw the exclusive production permit in question from the Contractor, without any consideration for the Contractor, subject to sixty (60) days advance notice, and the provisions of articles 13.6 and 20 shall be specifically applicable.

<u>ARTICLE 15:</u> OBLIGATIONS AND RIGHTS OF THE CONTRACTOR RELATED TO EXCLUSIVE PRODUCTION PERMITS

15.1. The Contractor shall begin the development work presented within the development and production plan within no more than six (6) months after approval of the development and production plan set forth in article 11.3.6., and shall pursue it with the maximum diligence.

In accordance with article 14.2, the Contractor agrees to produce all of the Hydrocarbons contained in the Production Perimeter, under economically viable conditions.

15.2. The provisions of articles 5, 6, 7, 8, 9 and 10 are also applicable, *mutatis mutandis*, within the context of exclusive production permits.

15.3. The Contractor is entitled to build, use, operate and maintain all Hydrocarbons storage and transport facilities that are necessary for the production, processing, transportation and sale of the Hydrocarbons produced, in accordance with the conditions set forth in this Agreement.

The Contractor may determine the layout and placement of pipelines within the Republic of Côte d'Ivoire necessary for the Petroleum Operations, but it must submit the plans that are in accordance with Best Industry Practice in the international petroleum industry and the regulations in force in the Republic of Côte d'Ivoire to the Government for approval before beginning work; all pipelines crossing or along roads or passages (other than those used exclusively by the Contractor) shall be constructed so as to not disturb said roads or passages.

The transportation conditions and the security regulations for these projects shall be the subject of an agreement between the Parties.

15.4. The Contractor, within the limit and for the duration of the excess capacity of a pipeline or a processing, transportation or storage facility built for the needs of the Petroleum Operations, may be required to accept the passage of Hydrocarbons from production other than that of the Contractor, provided that:

a) this passage is not detrimental to the Petroleum Operations, and

b) a reasonable tariff covering normal compensation of funds invested to construct and operate the pipeline or facility is question is paid by the user.

The Contractor shall determine an order of priority should there be a passage of Hydrocarbons from one (1) or more other operations. The tariffs and the order of priority will be subject to the Government's prior approval.

15.5. Upon obtaining an exclusive production permit, the Contractor agrees to diligently perform the development drilling, spaced apart to guarantee, in accordance with the Best Industry Practice in the international petroleum industry, so as to maximise the economic recovery of the Hydrocarbons contained in the Field in question.

15.6. The Contractor must observe Best Industry Practice in conducting the development and production operations, so as to maximise the economic recovery of the Hydrocarbons, and to carry out assisted recovery studies.

15.7. The Contractor shall provide the Government with all reports, studies, results of measurements, tests, and documents that enable it to control proper production of each Field.

The Contractor must specifically take the following measures in each production well:

a) monthly test of production and of gas/oil ratio, and
b) semi-annual measurement of the reservoir pressure of the Field.

15.8. The Contractor agrees, from each Field, to produce annual quantities of Hydrocarbons according to the provisions of article 15.6.

The annual production rates of each Field shall be submitted by the Contractor, together with the Annual Work Programs indicated in article 5, for approval by the Government, which shall not be refused if the Contractor provides technically and economically justified arguments.

15.9. The Contractor shall measure, by using, after Government approval, a measuring instrument, the measuring tools and procedures in accordance with Best Industry Practice in the international petroleum industry, at a point established by mutual agreement between the Parties, all Hydrocarbons produced after extracting water and sediments, with the exception of:

a) Hydrocarbons used for the Petroleum Operations, and
b) inevitable losses.

The Government shall be entitled to examine these measures and to verify the devices and procedures used, or have them verified.

If the Contractor wishes to modify said measurement devices and procedures, it shall first obtain the approval of the Government.

When the devices and procedures used have resulted in an over- or under-estimate of the measured quantities, the error shall be considered to exist as of the date of the last calibration of the devices, unless otherwise justified, and the appropriate adjustment shall be made for the period during which this error exists.

<u>ARTICLE 16:</u> RECOVERY OF PETROLEUM COSTS RELATING TO CRUDE OIL AND PRODUCTION SHARING

16.1. Since beginning regular production of Crude Oil, the Contractor shall sell all production of Crude Oil obtained from the Delimited Region, in accordance with the provisions below defined.

16.2. To recover the Petroleum Costs, the Contractor may take, free of charge every Calendar Year, a portion of the production of Crude Oil which under no circumstances shall exceed seventy-five percent (75%) of the Total Production of Crude Oil of the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs actually incurred and paid.

If, during the course of a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article, exceed the equivalent ofseventy-five percent (75%) of the value of the Total Production of Crude Oil from the Delimited Region, the balance of the

Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the following Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be added to the Development Expenditures that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 16.2.

16.3. The quantity of Crude Oil from the Delimited Region remaining during the course of each Calendar Year after the Contractor has taken from the Total Production of Crude Oil the portion necessary for recovery of the Petroleum Costs in accordance with the provisions of article 16.2, hereinafter referred to as "**Remaining Production**," shall be shared between the Government and the Contractor in the following manner:

Portion of Total Daily Production of Crude Oil (in Barrels/day)	Contractor's Participating Interest in the Remaining Production
From 0 to 50,000	**62%** multiplied by H
From 50,001 to 100,000	**57%** multiplied by H
From 100,001 to 150,000	**52%** multiplied by H
Over 150,000	**47%** multiplied by H

The "**H**" factor is defined as follows:

- for a Crude Oil price between $50 and $200 per barrel:
  H = 1.629 – 0.141 Ln (Deflated Crude Oil price in December 2011),
  Ln being the natural Logarithm.

In any event, it is understood that:

- for a price of Crude Oil less than $50 per barrel: **H = 1.08**
- for a price of Crude Oil greater than $200 per barrel: **H = 0.88**

The deflation is calculated based upon the "Consumer Price Index, **CPI**" of the United States of America (USA) according to the following formula:

$$P(M, \text{Dec } 2011) = \frac{P(M) \times CPI(\text{Dec } 2011)}{CPI(M)}$$

where:

P(M, Dec 2011): Crude Oil price for month M deflated for December 2011;

P (M): Crude Oil price for month M;
CPI (M): U.S. Consumer Price Index for month M;
CPI (Dec. 2011): U.S. Consumer Price Index for December 2011.

Unless otherwise agreed, the Consumer Price Indices of the United States of America (CPI) are provided by the "US Bureau of Labor Statistics/All Urban Consumers/U.S. city average/All items" on the website "www.bls.gov/cpi".

In the event the above-mentioned index no longer exists, the Parties shall agree to choose another index within ninety (90) days following the date on which the index ceased to exist. If no agreement on a new substitution index is reached within ninety (90) days, the Parties may, in respect of Petroleum Costs, hire an independent consultant so as to propose, within ninety (90) days, a similar index that will be imposed on the Contractor.

In the event agreement is not reached concerning the above-mentioned ninety (90) days, the Government will, within thirty (30) days appoint a consultant to propose a new index within sixty (60) days after their appointment by the Government. The consultant's costs and expenses are Petroleum Costs that are recoverable under this Contract.

When the cumulative production of Crude Oil in the Delimited Region reaches twenty-five (25) million barrels, the Contractor's share in the Remaining Production (before application of the H factor) shall decrease by one half of one percent (0.5%) for each applicable portion of production.

When the cumulative production of Crude Oil in the Delimited Region reaches fifty (50) million barrels, as well as for each twenty-five (25) million incremental barrels, the Contractor's share in the Remaining Production (before application of the H factor) shall decrease by one percent (1%) for each applicable portion of production up to a cumulative limit of one hundred and fifty (150) million barrels is reached.

When the cumulative production in the Delimited Region reaches one hundred and fifty (150) million barrels, no further reduction of the Contractor's share shall be applied.

By way of example, for a daily production that amounts to between 0 and 50,000 barrels/day, the Contractor's share in the Remaining production is of 62% multiplied by H.

When cumulative production reaches 25,000,000 barrels, the Contractor's share in the Remaining production becomes:

- **62**% - (**62**% x 0.5%) = 61.69**% multiplied by H**

When cumulative production reaches 50,000,000 barrels, the Contractor's share in the Remaining production becomes:

- **61.69**% - (**61.69**% x 1%) = 61.0731**% multiplied by H**

When cumulative production reaches 75,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 61.0731% - (61.0731% x 1%) = 60.462369**% multiplied by H**

When cumulative production reaches 100,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 60.462369% - (60.462369% x 1%) = 59.85774531**% multiplied by H**

When cumulative production reaches 125,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 59.85774531% - (59.85774531% x 1%) = 59.2591678569**% multiplied by H**

When cumulative production reaches 150,000,000 barrels, no reduction will be made to the Contractor's share in the Remaining production, and the Contractor's share in the Remaining Production is maintained at 59.2591678569**% multiplied by H**

The State's share in the Remaining Production is equal to the Remaining Production after recovery of the Petroleum Costs, less the Contractor's share as calculated above.

For application of this article, the Total Daily Production of Crude Oil shall be the average rate of daily Total Production of Crude Oil at the wellheads during the Calendar Month in question.

Thus, for a given Total Daily Production of Crude Oil, the Contractor shall take the portion necessary for recovery of the Petroleum Costs as provided in article 16.2, in each portion of Total Daily Production of Crude Oil defined in the table above before sharing the Remaining Production between the Government and the Contractor according to the rates agreed as above.

For purposes of applying the tax legislation of the Republic of Côte d'Ivoire, the quantity of Crude Oil that the Government shall receive during the course of each Calendar Year, pursuant to this article 16.3, shall include the portion necessary to pay all tax(es) of the Contractor in the Republic of Côte d'Ivoire that may be imposed on its income. The Government agrees to pay on this portion all income tax(es) in the name and on behalf of the Contractor, and to send the Contractor the official vouchers for these payments as set forth in article 17.6. In order to determine the value of said portion necessary for payment of income tax, the Government shall use the sales price defined in article 18. The share of Crude Oil made available to the Government representing income tax shall be determined separately and specified in accordance with the provisions of this article.[NOTE: FOR DISCUSSION ON 18 DECEMBER 2017]

However, notwithstanding the above, it is agreed that each entity constituting the Contractor may choose to pay directly in cash the tax on its industrial and commercial profits for any given Fiscal Year.

In this case, the tax will be paid by the entity concerned in instalments:

- simultaneously to the payments to be made by PETROCI under article 16.6 below; or

- within forty-five (45) days running from the date the Government removed its part in the Remaining Production, in the event that the Government, in accordance with article 16.5, chooses to receive all of its share in kind.

The instalment amounts to be paid, as stated above, will each be equal to the value based on the selling price defined in article 18 below, of the portion the Government received as its share in the Remaining Production, for the payment of the entity concerned.

As soon as the entity in question has paid the required instalment as a result of the above, the Government shall remit to that entity, in compensation, an amount identical to the aforementioned portion that the Government has previously received. The determination of the quantity of Crude Oil and the allocation of Crude Oil to this entity will be made as much as possible during the first collection following the payment of the income tax.

At the end of the Fiscal Year, where the instalment amounts the entity has paid for the Fiscal Year in question is higher or lower than the amount of the tax actually due, an appropriate adjustment will be made either by the entity settling the balance, either by the entity or the Government paying the equivalent amount. No adjustment will occur after the end of the Agreement.

16.4. The Government may receive its share of production defined in article 16.3, either in cash or kind, with the understanding that for budget purposes, fifteen percent (15%) of this share of production shall be allocated to the State's *Fonds d'Actions Pétrolières* [Petroleum Share Fund] and shall not entail any additional charge for the Contractor.

16.5. If the Government wants to receive any or all of its share of production defined in article 16.3 in kind, it shall advise the Contractor to this effect in writing at least ninety (90) days before the start of the Calendar Quarter in question, specifying the exact quantity it wishes to receive in kind during said Calendar Quarter.

For this purpose, the Contractor shall not sign any commitment to sell the Government's share of production with a term longer than one (1) year without the Government's written consent.

16.6. If the Government wishes to receive any or all of its share of production defined in article 16.3 in cash, or if the Government has not notified the Contractor of its decision to receive its share of production in kind in accordance with article 16.5, PETROCI is required to sell the Government's share of production and to pay it, within thirty (30) days after receipt of payment, the amount equal to the quantity corresponding to the Government's share of production multiplied by the sales price defined in article 18 less the charges incurred by such operation.

ARTICLE 17: TAX SYSTEM

17.1. Subject to any provisions to the contrary in this Agreement, the Contractor, as a result of its Petroleum Operations, shall be subject to the applicable laws and regulations in effect in the Republic of Côte d'Ivoire with respect to Duties and Taxes, and including the requirements relating to providing tax returns as well as the calculation of taxes and tax contributions and the Contractor shall file any declarations that may be required for this purpose.

It is specifically acknowledged that the provisions of this article apply individually with respect to all entities comprising the Contractor pursuant to this Agreement.

The Contractor shall maintain, by Fiscal Year, separate accounting from the Petroleum Operations, in accordance with current legislation in the Republic of Côte d'Ivoire, especially

in order to establish a production and income account as well as a balance sheet showing the results of the Petroleum Operations as well as the assets and liabilities allocated or related thereto.

17.2. For application of the provisions of article 17.1, the Contractor, according to its net earnings derived from the Petroleum Operations, is subject to direct taxation on industrial and commercial earnings as established in the General Tax Code.

In accordance with the provisions of article 16.3 and 21.3.1, the Contractor shall not be subject to any payment to the Government for said tax. From the point of view of the tax authorities of the Republic of Côte d'Ivoire, the share of Hydrocarbons that the Contractor is authorised to receive pursuant to the provisions of articles 16.2, 16.3, 21.1.5, 21.2.4 and 21.3.1 is considered to represent the recovery of Petroleum Costs and the net earnings reverting to the Contractor after tax on industrial and commercial income.

17.3. In order to determine the net taxable earnings of the Contractor for a Fiscal Year, the production and income account shall be credited with:

a) the gross annual revenue of the Contractor reported in its accounting books, from the sale of the quantity of Hydrocarbons it has pursuant to the articles 16.2, 16.3 and 21.3.1.

The Contractor shall endeavour to obtain an export price for the Crude Oil that most closely reflects the international market rate at the time of establishing the price.

b) all other revenue or proceeds related to the Petroleum Operations, especially including those from:

- the sale of related substances;
- the processing, transportation or storage of products for Third Parties at the facilities allocated to the Petroleum Operations.
- Subject to article 17.7, gains realised at the time of assigning or transferring any assets of the Contractor, or the full or partial assignment of the rights and obligations arising out of this Agreement. Nevertheless, a gain cannot result from any transfer (i) that does not entail an actual payment in cash or kind by the transferee to the transferor or recovery of a liability already booked by the transferor or (ii) that cannot be considered in any way a financial profit;
- foreign exchange gains realised from the Petroleum Operations.

c) the value of the share of Hydrocarbons taken by the Government, in accordance with the last section of article 16.3 and the penultimate section of article 21.3.1, in payment of the income tax indicated in article 17.1 for the Fiscal Year in question.

17.4. This same production and income account shall be debited in the amount of all charges required for the needs of the Petroleum Operations for the Fiscal Year in question, the deduction of which is authorised by applicable laws in the Republic of Côte d'Ivoire and the provisions of this Agreement.

The charges that may be deducted from income for the Fiscal Year in question specifically include the following:

a) Besides the charges explicitly indicated below in this article 17.4, all other Petroleum Costs, including the cost of supplies, personnel and labour expenses, and the cost of services provided to the Contractor for the Petroleum Operations. Nevertheless:

- the cost of supplies, personnel and services provided by Affiliated Companies shall be deductible insofar as they do not exceed those normally invoiced under free market conditions between an independent buyer and seller for the identical or similar services.
- fixed asset expenses shall be amortised as of the start of commercial production in the Delimited Region. The amortisation deductible for the Fiscal Year in question shall be equal, at most, to the difference, if positive, between the amount of the Petroleum Costs recovered for the Fiscal Year in question pursuant to article 16.2, and the total of other amounts charged to the production and income account in accordance with this article 17.4.

b) The overheads related to the Petroleum Operations performed within the context of this Agreement, including in particular:

- the leasing expenses for movable and immovable property and insurance premiums, and
- a reasonable share, in relation to the services rendered for the Petroleum Operations performed in the Republic of Côte d'Ivoire, wages and salaries paid to directors and employees residing abroad, and administrative overheads of the central offices of the Contractor and the Affiliated Companies working on its behalf, located abroad, and the indirect expenses incurred by said central offices abroad on their behalf. The overheads paid abroad may not under any circumstances be greater than the limits established in the Accounting Procedure.

c) The actual amount of interest and commission fees paid to the creditors of the Contractor, within the limits established in the Accounting Procedure. Shareholders and Affiliated Companies shall not be considered as "third parties" pursuant to article 72.3 of the Petroleum Code and, as a result, any advances and loans made to them outside of the Republic of Côte d'Ivoire shall not be submitted for approval by the petroleum administration indicated in said article, but shall be declared to it and, in accordance with the previous section, shall also be subject to the limitations established in the Accounting Procedure.

d) Losses of equipment or assets resulting from destruction or damage, assets to be waived or abandoned during the year, irrecoverable receivables, compensation paid to Third Parties for damages.

e) Reasonable and justified provisions established to cover clearly identified subsequent losses or expenses that are likely according to current situations, especially provisions for abandonment costs established pursuant to article 20.8.

f) Any other losses or charges directly related to the Petroleum Operations, as well as bonuses and amounts paid during the Fiscal Year pursuant to article 19 and articles 30.2, 30.3 and 30.4, with the exception of the amount of direct income tax determined in accordance with the provisions of this article.

g) The uncleared amount of losses from prior Fiscal Years in accordance with the legislation of the Republic of Côte d'Ivoire.

17.5. The net taxable income of the Contractor shall be equal to the difference, if positive, between the total amounts credited and the total amounts debited to the production and income account. If this amount is negative, it constitutes a loss.

17.6. Within three (3) months following the close of a Fiscal Year, each entity comprising the Contractor shall send the appropriate tax authorities its annual income tax declaration, accompanied by financial statements, as required by current legislation in the Republic of Côte d'Ivoire.

The Government, after examining said annual declaration and ascertaining payment of the tax, shall issue to the Contractor, within a reasonable time period, the tax vouchers and all other documents showing that the Contractor has performed, for the Fiscal Year in question, all of its fiscal obligations in terms of the industrial and commercial income tax as defined in this article. These tax receipts issued in the Contractor's name will state the amount of tax paid on income and will present the information and related matters in detail.

17.7. Outside of the industrial and commercial income tax as defined in this article and the bonuses indicated in article 19, the Contractor shall be exempt from all national, regional or municipal taxes, duties, levies or contributions of any type imposed on the Petroleum Operations and all related income or, more generally, property, durable goods (including offshore storage vessel), activities or actions of the Contractor (including its establishment and operation for performance of this Agreement).

The agents, subcontractors, suppliers and Affiliated Companies of the Contractor shall also be exempt from all national, regional or municipal taxes, duties, levies or contributions of any type imposed on the Petroleum Operations and all related income, in particular including but not limited to turnover tax, value added taxes (VAT), tax on banking transactions Taxes sur les opérations bancaires, (or TOB), tax on non-commercial income (BNC), tax on credit income (IRC) and on industrial and commercial income (BIC), due on sales or purchases, work performed and services rendered to the Contractor within the context of this Agreement.

Pursuant to the foregoing, the Contractor is presumed to have paid, in the name and on behalf of its agents, subcontractors and suppliers and Affiliated Companies, the taxes described above by allocating to the Government the share of Hydrocarbons due to it pursuant to articles 16.3 and 21.3.2 below; consequently, the benefit of the certificate issued by the Government to the Contractor by virtue of the payment of taxes on the portion of Hydrocarbons attributed to it pursuant to articles 16.3 and 21.3.1 extends to the agents, subcontractors, suppliers and Affiliated Companies of the Contractor.

Shareholders of the entities comprising the Contractor and their Affiliated Companies shall also be exempt from all taxes, duties, levies and contributions for dividends received, credits, loans and related interest, purchases, transportation of Hydrocarbons for export, services rendered and in general, on all income and activities in the Republic of Côte d'Ivoire related to the Petroleum Operations.

In addition to the exemptions provided for under the Petroleum Code, assignments of all types between the companies that are party to this Agreement, themselves or between them and their

Affiliated Companies, as well as any other transfer carried out in accordance with the provisions of article 35, shall be exempt from all duties or taxes due for this purpose. Assignments of all types between the companies that are party to this Agreement and Third Parties shall be subject to payment of fees as defined in article 35.

Pursuant to the provisions of this article and the provisions relative to the customs system, the Contractor shall submit for approval by the Director General of Hydrocarbons a list of subcontractors, suppliers and Affiliated Companies providing goods and services within the context of performance of this Agreement. Such approval shall not be unreasonably withheld and if not approved within forty five (45) days shall be deemed approved. A copy of the approved list shall be forwarded by the Director General of Hydrocarbons to the General Tax Office and also to the General Customs Office. This list shall be subject to revision and periodic amendment as the Agreement is performed.

17.8. As an exception to the foregoing provisions, property taxes shall be due under the conditions of ordinary law on residential property in force in the Republic of Côte d'Ivoire, and the above-mentioned exemptions do not apply to duties, taxes and fees due in exchange for services rendered by Ivoirian government administrations, collectivities and public institutions.

Nevertheless, the tariffs applied in this respect vis-à-vis the Contractor and its contractors, transporters, clients and agents shall remain reasonable in relation to the services rendered and shall correspond to tariffs generally applied for these same services by said government administrations, collectivities and public institutions.

ARTICLE 18: SALES PRICE OF CRUDE OIL

18.1. For the purposes of this Agreement, and especially for application of articles 16.2, 16.6, 17, 22 and 27, the price of the Crude Oil shall be the "**Market Price**" F.O.B. at the point of Delivery of the Crude Oil, expressed in Dollars per barrel and payable at thirty (30) days from date of Bill of Lading, as determined below for each Calendar Quarter.

A Market Price shall be determined for each type of Crude Oil or blend of Crude Oils.

18.2. The Market Price applicable to Crude Oil lifted during a Calendar Quarter shall be calculated at the end of said Calendar Quarter and shall be equal to the weighted average sales price of Crude Oil from the Delimited Region obtained during said Calendar Quarter by the Contractor and the Government from independent buyers, adjusted to reflect the differences in quality and density as well as the F.O.B. delivery terms and payment terms, provided that the quantities sold in this manner to independent buyers during the Calendar Quarter in question represent at least thirty percent (30%) of the total quantities of Crude Oil from the Delimited Region sold during said Calendar Quarter.

18.3. In the event that these sales to independent buyers are not performed during the Calendar Quarter in question or do not represent at least thirty percent (30%) of the total quantities of Crude Oil from the Delimited Region sold during the course of the said Calendar Quarter, the Market Price shall be determined, for sales of Crude Oils of a quality similar to the Crude Oil of the Delimited Region intended for the same markets as those on which the Ivoirian Crude Oil would normally be sold, based upon prices applied on the international market during this Calendar Quarter between independent buyers and sellers published during this Calendar Quarter in the "Platt's Oilgram Price Report" or any other document agreed between the Parties, adjusted

to take into account any differences in quality, density and transportation as well as the terms of sale and payment.

The government and Contractor shall select these reference Crude Oils at the beginning of each Calendar Year.

18.4. The following transactions shall specifically be excluded from the calculation of the Market Price of Crude Oil:

- **a)** sales in which the buyer is an Affiliated Company of the seller and the sales between entities comprising the Contractor;
- **b)** sales on the Ivorian domestic market pursuant to article 27.1, and
- **c)** sales entailing compensation other than payment in freely convertible currency and sales motivated, in whole or in part, by considerations other than the economic incentives that are usual in sales of Crude Oil on the international market (such as foreign exchange contracts, government to government sales or to governmental agencies).

18.5. Within (10) days following the end of each Calendar Quarter, the Government and the Contractor shall notify each other of the prices obtained for their share of production of Crude Oil from the Delimited Region sold to independent buyers during the Calendar Quarter in question, indicating for each sale the identity of the buyer, the quantities sold, the delivery and payment conditions.

Within twenty (20) days following the end of each Calendar Quarter, the Contractor shall determine, in accordance with the provisions of article 18.2 or article 18.3, whichever relevant, the Market Price applicable to the Calendar Quarter in question, and shall notify the Government of this Market Price, indicating the calculation method and all information used in calculating the Market Price.

Within thirty (30) days following receipt of the notice indicated in previous section, the Government shall verify the accuracy of the calculation of the Market Price and shall notify the Contractor of its acceptance or objections. If the Government fails to notify the Contractor within thirty (30) days, the Market Price indicated in the Contractor's notice in the previous section shall be deemed to be accepted by the Government.

In the event that the Government notifies objections to the Market Price, the Government and Contractor shall meet within fifteen (15) days following notification from Government to reach a mutual agreement on the Market Price. If the Government and Contractor do not reach an agreement on the Market Price applicable to a given Calendar Quarter within seventy-five (75) days following the end of this Quarter, the Government, or the Contractor, may immediately submit the matter to an expert, appointed in accordance with the following section, to determine the Market Price (including the determination of reference Crude Oils if the Government and Contractor have not determined it). The expert shall determine the price within thirty (30) days after the appointment, and his conclusions shall be final and binding upon the Government and Contractor. The expert shall render a decision in accordance with the provisions of this article.

The expert shall be chosen by agreement between the Government and Contractor or, if an agreement cannot be reached, by the International Centre for Technical Expertise of the International Chamber of Commerce (Chambre de Commerce Internationale or "**CCI"**) in accordance with its Expertise Regulations, at the request of the Government or the Contractor to do so. The expert's fees shall be borne by the Contractor and included in the Petroleum Costs.

18.6. In the event that it is necessary to provisionally calculate during a Calendar Quarter the Crude Oil price applicable to quantities lifted during said Calendar Quarter, said price shall be established as follows:

a) for all sales to independent buyers, the price applicable to this sale shall be the price obtained for the Crude Oil for said sale, adjusted to reflect the F.O.B. terms of delivery and the payment terms at thirty (30) days;

b) for all quantities lifted other than those quantities sold to independent buyers, the price applicable to this quantity lifted shall be the Market Price in effect in the previous Calendar Quarter or, if this Market Price has not been determined, a price established by mutual agreement between the Government and Contractor or, in the absence thereof, the last known Market Price.

When the Market Price for a Quarter has been definitively determined, any adjustments shall be made within thirty (30) days after the date of determining the Market Price.

ARTICLE 19: SIGNATURE BONUS

19.1. By way of signing bonus, the Contractor, with the exception of PETROCI, shall pay the amount of one million five-hundred thousand Dollars (US$ 1,500,000) to the competent department of the General Tax Direction of the Republic of Côte d'Ivoire, in accordance with articles 1056 and 1057 of the General Tax Code, within thirty (30) days following the Effective Date.

19.2 The payment indicated in article 19.1 is not recoverable and may not under any circumstances be considered as a Petroleum Cost, but shall be taken into consideration in calculating the tax in accordance with article 17.4.f).

ARTICLE 20: OWNERSHIP AND ABANDONMENT OF ASSETS

20.1. Title to all movable and immovable property acquired by the Contractor within the context of the Petroleum Operations, whether inside or outside of the Delimited Region, shall once per Calendar Year be transferred to the Government when the first of the following events occur:

a) the recovery by the Contractor of all of the corresponding Petroleum Costs; or

b) the waiver of any or all of the Delimited Region; or

c) upon expiration of this Agreement, or

d) upon termination of this Agreement.

The title shall be transferred free of any pledge or guarantee on the assets being transferred.

The provisions set forth in the first section of this article 20.1 shall not be applicable to assets owned by Third Parties or Affiliated Companies that are leased to the Contractor or made available to it within the context of the Petroleum Operations.

20.2. Despite the transfer of title referred to in article 20.1, the Contractor will have priority use of the said movable and immovable assets free of charge, within the framework of this Agreement subject to providing upkeep and maintenance in accordance with the Best Industry Practice of the international petroleum industry.

The Contractor may use said assets for the needs of its Petroleum Operations in the Republic of Côte d'Ivoire governed by other agreements by means of the Government billing a leasing fee, which shall not be greater than the fees billed by Third Parties for similar assets.

20.3. In the event that the assets mentioned in article 20.1 are used as collateral to Third Parties for financing the Petroleum Operations, the title to these assets shall not be transferred to the Government until after the Contractor completely repays the loans guaranteed by them and the guarantees are released. The Parties agree that collateral on loans contracted for financing the Petroleum Operations, before being implemented, must first be approved by the Government.

20.4. The transfer of title to the assets shall be documented in reports signed by the Government and the Contractor. The Contractor shall, every Calendar Year perform an inventory and appraisal of the movable and immovable property owned by the Government to the extent the same is required for insurance purposes.

20.5. If, upon waiver of the Delimited Region by the Contractor, the expiry or termination of this Agreement, the Government decides to not pursue the Petroleum Operations or to not retain the assets transferred to it in accordance with article 20.1, it shall notify the Contractor within no more than one hundred twenty (120) days following the date of written notification to the Government by the Contractor of its decision to waive the Delimited Region. In this case, the Contractor shall then be responsible for performing the abandonment work in accordance with the Best Industry Practice of the international petroleum industry and to remove the facilities, at its expense, corresponding to the abandoned zone that the Government decides to not accept.

20.6. The Contractor is responsible for dismantling and removing the facilities it erected or constructed within the context of its Petroleum Operations. For this purpose, it shall finance the costs related to the abandonment, and shall also remediate the site, in accordance with current pertinent legislation of the Republic of the Cote d'Ivoire and the Best Industry Practice of the international petroleum industry.

20.7. The development and production plan submitted to the Government by the Contractor in accordance with article 11.3.3 shall include a comprehensive abandonment plan (the "**Abandonment Plan**") relative to all developments and facilities in the Production Perimeter required by the Contractor as well as a remediation plan for the sites related to its Petroleum Operations**.**

Said Abandonment Plan shall be updated within the context of the Annual Work Programs and Budget in accordance with article 5, taking into account operational developments and changes in Best Industry Practice of the international petroleum industry.

20.8. In order to finance the cost of the abandonment work, an escrow account shall be established and funded by the Contractor during the production period of the Field, from the time production begins in the Field in question. This escrow account shall be opened and held

in a first class bank in the Republic of Côte d'Ivoire designated by the Contractor and approved by the Government.

As of the month of January following the date of the start in production in the Delimited Region, the Contractor shall deposit, each Calendar Quarter, a provision in the interest-bearing escrow account opened in the name of the Parties.

This escrow account, intended to cover the cost for abandoning the site, shall be jointly managed by the Government and the Operator, and funds may only be withdrawn, in the Parties' mutual agreement, exclusively to finance site abandonment activities approved by the Government.

Furthermore, the Government shall co-sign with the Contractor all requests to withdraw funds from the escrow account.

20.9. The total amount to be deposited in the escrow account shall be equal to the abandonment costs included in the approved development and production plan.

20.10. If the Delimited Region includes more than one Production Perimeter, the amount of the provision shall be subsequently increased in order to reflect the cost of fixed assets for the development of all of the Production Perimeters. Likewise, the total amount shall be adjusted each Calendar Year to reflect the new estimated abandonment costs in accordance with the Work Programme and Budget as approved by the Government.

20.11. The Contractor's annual contribution to the escrow account, hereinafter referred to as "**CACS**," for a given Calendar Year shall be calculated by means of the following formula:

CACS = (MGP - MCPV) PT/VRR where:

MGP is the total amount of the provision established in accordance with articles 20.9 and 20.10 for the given Calendar Year.

MCPV represents the cumulative amount of provisions deposited by the Contractor in the escrow account during prior Calendar Years (taking into account interest and other amounts accruing on deposits in the account),

PT is the Total Production for the Calendar Year in question in the Annual Work Program and the approved Budget, in accordance with article 5.

VRR is the estimated volume of remaining recoverable reserves in the Delimited Region that may be produced during the remaining term of the Agreement.

20.12. For each Calendar Year, and no later than the fifteenth (15 th) day of each Calendar Quarter, the Contractor shall deposit in the escrow account twenty-five percent (25%) of the CACS for that Calendar Year.

20.13. The contributions paid by the Contractor in the escrow account shall be recoverable Petroleum Costs in accordance with articles 16 and 21 of this Agreement.

20.14. All interest or expenses of any type incurred, or other income generated in relation to the escrow account shall be held in said account.

20.15. In the event that the cumulative amount of the escrow account is insufficient to perform the abandonment operations in the Delimited Region, the Contractor shall be required to satisfy the additional charges and expenses necessary to complete said operations within the term specified in the Abandonment Plan.

In the event that the amount of the escrow account is greater than the actual cost for abandoning the site, the balance in this account shall be shared in accordance with the last quantities lifted in accordance with the provisions of article 16.3 or of article 21.3.1, as the case may be.

20.16. If the Government decides that some or all of the facilities are to be returned to it upon expiration of the Agreement for any reason whatsoever, the balance of the escrow account will be transferred in whole or in part, after the financing of the total or partial abandonment, this partial abandonment having to be performed in accordance with the specific elements detailed in the Abandonment Plan, that is required of the Contractor, to the Government which will assume full responsibility for the abandonment of the asset thus delivered.

20.17. The temporary or permanent well abandonment programs shall be submitted at the same time as the drilling programs for said wells. The well abandonment work shall be supervised by the Government, at the expense and under the responsibility of the Operator. The results of the well abandonment work shall be submitted to the Government representative and approved by the latter or its representatives.

Save for the provisions under articles 20.1, 20.5 and 20.16, at the end of the Petroleum Operations, the Contractor shall perform the definitive abandonment work for all wells and all facilities related to the Petroleum Operations.

ARTICLE 21: NATURAL GAS

21.1. Non-associated Natural Gas

21.1.1. In the event of a discovery of Non-associated Natural Gas, the Contractor shall enter into discussions with the Government in order to determine whether the appraisal and production of said discovery is potentially commercial.

21.1.2. If the Contractor, after the above-mentioned discussions, believes that the appraisal of the Non-Associated Natural Gas discovery is justified, it shall undertake the appraisal work program for said discovery, in accordance with the provisions of article 11.

The Contractor shall be entitled, in order to evaluate the commerciability of the Non-Associated Natural Gas discovery, if it so requests at least thirty (30) days before expiration of the third exploration period indicated in article 3.3, to be granted an exclusive appraisal permit in relation to the Appraisal Perimeter of the above-mentioned discovery, for a duration of four (4) years.

Furthermore, the Contractor shall evaluate the possible outlets for the Non-Associated Natural Gas from the discovery in question, both on the local market and for export, as well as the means necessary for sale, and the Parties shall consider the possibility of jointly selling their shares of production in the event that the discovery of Non-Associated Natural Gas is not otherwise commercially producible. For this purpose, a Natural Gas advisory committee shall be established by the Parties to ensure, if appropriate, that it is coordinated and implemented.

21.1.3. After the appraisal work provided for in article 21.1.2, in the event that the Contractor decides to develop and produce this Non-Associated Natural Gas, the Contractor before the end of the appraisal period, shall submit an exclusive production permit application that the Government shall grant under the conditions set forth in article 12.1.

The Contractor shall then have the right and obligation to proceed with development and production of this Non-Associated Natural Gas in accordance with the approved development plan as set forth in article 11.3, and the provisions of this Agreement applicable to Crude Oil

shall apply *mutatis mutandis* to the Non-Associated Natural Gas, subject to the special provisions set forth in article 21.1.

21.1.4. If the Contractor believes that the appraisal of the Non-Associated Natural Gas discovery in question is not justified, the Contractor shall abandon its rights to the area surrounding said discovery, upon expiration of the exclusive exploration permit.

If the Contractor, after the appraisal work, provided for in article 21.1.2 believes that the Non-Associated Natural Gas discovery is not commercial, the Contractor shall abandon its rights to the area surrounding said discovery, either upon expiration of the exclusive exploration permit or upon expiration of the exclusive appraisal permit relative to said discovery, if the same is after the former, unless said area is included in an exclusive production permit prior to this date.

In each case, the Contractor shall lose all rights to the Non-Associated Natural Gas that may be produced from said discovery, and the Government may then perform all appraisal, development, production, processing, transport and marketing work relating to this discovery, or have such work performed, without any consideration given to the Contractor, provided, however, that it does not jeopardise performance of the Petroleum Operations of the Contractor.

If, after the appraisal work performed on a discovery, the Contractor believes that the Non-Associated Natural Gas Field is potentially commercial, but the current commercial outlets do not allow profitable production of said Field, the Contractor may:

a) either request the Government to hold this Field for a period of five (5) years to allow it to research sufficient outlets for profitable production of said Field; this period may be renewed provided that the Contractor justifies its efforts to achieve this objective. After this period ends, the Contractor shall abandon all of its rights to the area surrounding the discovery;

b) or immediately abandon its rights to the area surrounding the discovery.

21.1.5. In order to recover the Petroleum Costs related to the Non-Associated Natural Gas, the Contractor may take, free of charge each Calendar Year, a portion of the production of Non-Associated Natural Gas that under no circumstances may exceed eighty-five percent (85%) of the Total Production of Non-Associated Natural Gas of the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs related to the Non-Associated Natural Gas actually incurred and paid.

If, during a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article exceed the equivalent of eighty-five percent (85%) of value of the Total Production of Non-Associated Natural Gas from the Delimited Region, calculated as indicated above, the balance of the Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the subsequent Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be

added to the Development Expenditures that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 21.1.5

21.2. Associated Natural Gas

21.2.1. In the event of a commercial discovery of Crude Oil, the Contractor shall specify in the report indicated in article 11.3.3 whether the production of Associated Natural Gas (after processing said Associated Natural Gas in order to separate the Hydrocarbons that may be considered as Crude Oil pursuant to articles 16.2 and 16.3) is likely to exceed the quantities necessary for the needs of the Petroleum Operations relating to the production of Crude Oil (including the reinjection operations), and whether it believes that this surplus is likely to be produced in commercial quantities.

In the event that the Contractor has notified the Government of such surplus, the Parties shall jointly evaluate the possible outlets for this surplus Associated Natural Gas, both on the local market and for export (including the possibility of jointly selling their shares of production of this surplus Associated Natural Gas in the event that this surplus is not otherwise commercially producible), as well as the means necessary for sale.

In the event that the Parties agree that the development of the surplus Associated Natural Gas is justified, or in the event that the Contractor wants to develop and produce this surplus for export, the Contractor shall indicate, in the development and production program indicated in article 11.3.3, the additional facilities necessary for the development and production of this surplus and an estimate of the related costs.

The Contractor shall then be entitled to proceed with development and production of this surplus Associated Natural Gas in accordance with the development and production program approved by the Government under the conditions set forth in article 11.3.6, and the provisions of the Agreement applicable to Crude Oil shall apply *mutatis mutandis* to the surplus Associated Natural Gas, subject to the special provisions set forth in article 21.3.

A similar procedure shall be applicable if the sale or the marketing of the Associated Natural Gas is decided mutually by the Parties during production of the Field.

21.2.2. In the event that the Contractor does not consider the production of the surplus Natural Gas to be justified and if the Government, at any time, wishes to use it, the Government shall notify the Contractor to this effect, in which case:

a) The Contractor shall make available to the Government, free of charge, at the exit of the Crude Oil and Natural Gas separation facilities, some or all of the surplus Associated Natural Gas that the Government wants to lift;

b) The Government shall be responsible for collection, processing, compression and transportation of this surplus, from the above-mentioned separation facilities, and shall bear all additional related costs, and

c) The construction of the facilities necessary for the operations indicated in section b) above, as well as lifting of this surplus by the Government, shall be performed in accordance with the Best Industry Practice in the international petroleum industry and

in such a way so as to not disturb production, lifting and transportation of Crude Oil by the Contractor.

21.2.3. Any surplus Associated Natural Gas that is not used within the context of articles 21.2.1 and 21.2.2, shall be reinjected by the Contractor. Nevertheless, the Contractor shall be entitled to burn said gas in accordance with the Best Industry Practice in the international petroleum industry, provided that the Contractor provides the Government with a report showing that this Associated Natural Gas cannot be economically used to improve the recovery rate of Crude Oil by reinjection according to the provisions of article 15.6, and that the Government approves said burning, which approval shall not be refused without a valid reason.

Notwithstanding the above, where the circumstances so require, due to an emergency that may affect the safety of the facilities and persons, and after all remedies provided for by the Best Industry Practice in the international petroleum industry, the Contractor may flare the produced Natural Gas and, as soon as possible, inform the Government. The Contractor shall then remedy the emergency situation and stop flaring the Natural Gas as soon as possible, in accordance with the Best Industry Practice in the international petroleum industry.

21.2.4. In order to recover the Petroleum Costs related to the Associated Natural Gas, the Contractor may take, free of charge each Calendar Year, a portion of the production of Associated Natural Gas that under no circumstances may exceed seventy-five (75%) of the Total Production of Associated Natural Gas from the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs related to the Associated Natural Gas actually incurred and paid.

If, during a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article exceed the equivalent value of seventy-five percent (75%) of the Total Production of Associated Natural Gas from the Delimited Region, calculated as indicated above, the balance of the Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the subsequent Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be added to the Development Expenses that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 21.2.4.

21.3. Provisions common to Associated Natural Gas and Non-Associated Natural Gas.

21.3.1. The quantity of Natural Gas from the Delimited Region remaining during each Calendar Year after the Contractor has taken - from the Total Production of Natural Gas - the portion necessary in order to recover the Petroleum Costs in accordance with the provisions of article 21.1.5 and 21.2.4 hereinafter referred to as "**Remaining Production**," shall be shared between the Government and the Contractor for each portion as follows:

Portions of Total Daily Production (million cubic feet per day, MMCFD)	State's Share of the Remaining Production	Contractor's Share of the Remaining Production
0 to 100 MMCFD	28%	72%
101 to 250 MMCFD	33%	67%
251 to 500 MMCFD	38%	62%
Over 500 MMCFD	43%	57%

For application of this article 21.3, the Total Daily Production of Natural Gas shall be the average rate of the Total Daily Production of Natural Gas measured at the place stated in the approved development plan, by using the measuring tools and procedures in accordance with Best Industry Practice in the international petroleum industry, during the month in question from which, if applicable, the volume of Natural Gas that is required for the Petroleum Operations will be subtracted.

Thus, for a given Total Daily Production, the Contractor shall take the portion necessary for recovery of the Petroleum Costs in each portion of Total Daily Production of Natural Gas defined in the table above before sharing the Remaining Production between the Government and the Contractor according to the rates agreed as above.

For purposes of applying the tax legislation of the Republic of Côte d'Ivoire, the quantity of Natural Gas that the Government shall receive during the course of each Calendar Year, pursuant to article 21.3.1, shall include the portion necessary to pay all tax(es) of the Contractor in the Republic of Côte d'Ivoire that may be imposed on its income. The Government agrees to pay on this portion all income tax(es) in the name and on behalf of the Contractor, and to send the Contractor the official vouchers for these payments as set forth in article 17.6. In order to determine the value of said portion necessary for payment of income tax, the Government shall use the sales price defined in article 21.3.7. The share of Crude Oil made available to the Government representing income tax shall be determined separately and specified in accordance with the provisions of this article.

However, notwithstanding the above, it is agreed that each entity constituting the Contractor may choose to pay directly in cash the tax on its industrial and commercial profits for any given Fiscal Year.

In this case, the tax will be paid by the entity concerned in instalments:

- simultaneously to the payments to be made by PETROCI where PETROCI is responsible for selling the Government share in the Remaining Production; or
- within forty-five (45) days running from the date the Government removed its part in the Remaining Production, in the event that the Government chooses to receive all of its share in kind.

The instalment amounts to be paid, as stated above, will each be equal to the counter value based on the selling price defined in article 21.3.7 below, of the portion the Government received as its share in the Remaining Production, for the payment of the entity concerned.

As soon as the entity in question has paid the required instalment as a result of the above, the Government shall remit to that entity, in compensation, an amount identical to the aforementioned portion that the Government has previously received.

At the end of the Fiscal Year, where the instalment amounts the entity has paid for the Fiscal Year in question is higher or lower than the amount of the tax actually due, an appropriate adjustment will be made either by the entity settling the balance, or by the entity paying the equivalent amount to the Government. No adjustment will occur at the end of the Agreement.

21.3.2. The Government may receive its share of production defined in articles 21.1.5 and 21.2.4, either in cash or kind, in accordance with the provisions in article 21.3.3 and 21.3.4, with the understanding that for budget purposes, fifteen percent (15%) of this share of production shall be allocated to the State's *Fonds d'Actions Pétrolières* [Petroleum Share Fund] and shall not entail any additional charge for the Contractor.

21.3.3. If the Government wants to receive any or all of its share of production defined in article 21.3.1 in kind, the Government shall advise the Contractor to this effect in writing at least three (3) months before the start of each Calendar Quarter, specifying the exact quantity it wishes to receive in kind during said year.

For this purpose, the Contractor shall not sign any commitment to sell the Government's share of production with a term longer than one (1) year without the Government's written consent.

21.3.4. If the Government wishes to receive any or all of its share of production defined in article 21.3.1 in cash or if the Government has not notified the Contractor of its decision to receive its share of production in kind in accordance with article 21.3.3, the Contractor is required to sell the Government's share of production and to pay it, within thirty (30) days after receipt of payment, the amount equal to the quantity corresponding to the Government's share of production multiplied by the sales price defined in article 21.3.7 less the charges incurred by such operation.

21.3.5. In order to encourage the production of Natural Gas, the Government may allow the Contractor special advantages when duly justified, especially with regard to the recovery of Petroleum Costs, production sharing, the bonuses and PETROCI's participating interest, provided that each of these special advantages relates to the production of Natural Gas.

21.3.6. The Contractor shall be entitled to sell its share of production of Natural Gas, in accordance with the provisions of this Agreement. It shall also be entitled to separate liquids of all Natural Gas produced, and to transport, store, and sell on the local market or for export its share of the separated liquid Hydrocarbons, which shall be considered as Crude Oil for the purposes of sharing between the Parties according to article 16.

21.3.7. For the purposes of this Agreement, the price of the Natural Gas, expressed in Dollars per million BTUs, shall be equal to the actual price determined in the Natural Gas sales agreements, said sales specifically excluding:

a) sales in which the buyer is an Affiliated Company of the seller as well as sales between entities comprising the Contractor, and

b) sales entailing compensation other than payment in freely convertible currency and sales motivated, in whole or in part, by considerations other than economic incentives that are usual in sales of Natural Gas.

For the sales indicated in sections a) and b) above, the price of the Natural Gas shall be determined by mutual agreement between the Government and the Contractor, or between the Contractor and a Third Party based upon the market price at the time of said sales of a substitute fuel for Natural Gas.

21.3.8. In the event that the Contractor wishes to separate from the Natural Gas some or all of the liquid Hydrocarbons according to procedures it determines, the Natural Gas shall be measured after the Contractor separates the liquid Hydrocarbons from the Natural Gas.

ARTICLE 22: PETROCI'S PARTICIPATING INTEREST

22.1. As a result of work previously performed in the Delimited Region, PETROCI, as of the Effective Date, is associated with the entities comprising the Contractor, to share in the Petroleum Operations, at a rate of ten percent (10%) (hereinafter referred to as "**Initial Participating Interest**").

PETROCI, pursuant to and *pro rata* to its Participating Interest, benefits from the same rights and is subject to the same obligations as those of the Contractor defined in this Agreement, subject to the provisions of this article.

22.2. Within the context of the policy of promoting the petroleum industry in the Republic of Côte d'Ivoire defined by the Government, PETROCI shall have the option to increase, within a Production Perimeter, the rate of its participating interest, in accordance with the following provisions:

a) PETROCI shall be entitled to obtain an additional participating interest (hereinafter referred to as "Additional Participating Interest") of two percent (2%) which the Operator cannot refuse.

b) Within four (4) months from the date of granting an exclusive production permit, PETROCI shall notify the other entities comprising the Contractor of its desire to exercise its option to increase its Participating Interest relative to the related Production Perimeter, specifying the percentage of its Additional Participating Interest for said Production Perimeter. If it does not make said notification within four (4) months, PETROCI's participating interest for this Production Perimeter shall remain the same as its Initial Participating Interest.

c) The Additional Participating Interest shall become effective, for the Production Perimeter in question, from the date of notification indicated in article 22.2.b) above.

d) Upon receipt of the written notification from PETROCI, all of the entities comprising the Contractor other than PETROCI shall transfer to PETROCI, immediately and jointly, each *pro rata* to its Participating Interest at that time, a percentage of their participating interest in the Production Perimeter in question, the total of which shall be equal to the percentage of the Additional Participating Interest of PETROCI.

e) As of the date of its Additional Participating Interest, or in the absence of the notification indicated in article 22.2.b), PETROCI:

- shall participate, *pro rata* to its Additional Participating Interest, in the Petroleum Costs relating to the corresponding Production Perimeter, with regard to the relevant exclusive production permit;
- If the permit in question is the first exclusive production permit, as indicated in article 22.2.g) PETROCI shall reimburse the other entities comprising the Contractor the percentage of its Additional Participating Interest in the Petroleum Costs not yet recovered, incurred from the Effective Date up to the date of notification of its Additional Participating Interest, and
- For each subsequent exclusive production permit, as indicated in article 22.2.g), PETROCI shall reimburse the other entities comprising the Contractor the percentage of its Additional Participating Interest in the Petroleum Costs relating to the new Production Perimeter not yet recovered, incurred from the date of notification of the Additional Participating Interest relating to the previous exclusive production permit up to the date of notification of the Additional Participating Interest for the new exclusive production permit.

f) Taking into account the previous work already undertaken in the Delimited Region, PETROCI's Initial Participating Interest shall entail for PETROCI, throughout the duration of this Agreement, neither the financing nor the reimbursement of its share of the Petroleum Costs, which Petroleum Costs are borne and recoverable by the other entities comprising the Contractor, in accordance with articles 16.2, 21.1.5 and 21.2.4, each *pro rata* to its Participating Interest.

Furthermore, PETROCI's Additional Participating Interest shall entail for PETROCI neither a share nor reimbursement *pro rata* to its Additional Participating Interest of the expenses and costs related to carrying its Initial Participating Interest.

g) As indicated in article 22.2.e) PETROCI shall reimburse the other entities comprising the Contractor the amounts due for its Participating Interest, as follows, at PETROCI's option:

- either within six (6) months from the date of notification of the increase in its Participating Interest, by payments in Dollars or through payments in Crude Oil appraised in accordance with the provisions of article 18;
- or in kind, by way of withholding, by the other entities constituting the Contractor, taking a portion of PETROCI's share of Hydrocarbons under Articles 16.3 and 21.3, at a rate of fifty percent (50%) of said share, the value of this portion being calculated in accordance with the provisions of article 18, until the value of these withholdings taken is equal to the remaining balance due plus interest as indicated below. The balance of the remaining amount due upon expiration of the period of six (6) months as indicated above shall accrue interest, from this date until the date of reimbursement, at the annual LIBOR (London Interbank Offered Rate) for Dollar deposits at six (6) months as published electronically by ICE Benchmark Administration Limited for the last business day prior to the date of payment plus one percentage (1) point, compounded annually.

In the event that PETROCI sells all or part of its interest arising from its Additional Participation to a company other than a State-controlled company or body, subject to the association agreement between the entities constituting the Contractor, in accordance with Article 22.3.e), the above

reimbursement will be made in Dollars, within the three (3) months following the actual completion of the sale.

22.3.

a) PETROCI shall not be required to contribute, *pro rata* to its Initial Participating Interest or Additional Participating Interest, to the payment of the bonus defined in article 19 and the budgets defined in article 30, which are payable in full by the other entities comprising the Contractor.

a) The association of PETROCI with the Contractor may not under any circumstances cancel or affect the rights of the other entities comprising the Contractor to use the arbitration clause set forth in article 32, which is not applicable to disputes between the Government and PETROCI but only to disputes between the Government and the other entities comprising the Contractor.

b) PETROCI, on the one hand, and the other entities comprising the Contractor, on the other hand, shall not be jointly and severally liable for the obligations derived from this Agreement, as set forth in article 34. PETROCI shall be individually liable with respect to the Government for its obligations pursuant to this Agreement.

c) Any failure by PETROCI to perform any of its obligations shall not be considered as a breach by the other entities comprising the Contractor, and may not under any circumstances be used by the Government to terminate this Agreement, in accordance with article 37.4, or to initiate the procedure set forth in article 37.3.

d) PETROCI may at any time assign to a company of its choice, controlled by the State, any or all of the rights and obligations derived from the Additional Participating Interest indicated in this article.

22.4. The conditions for PETROCI's Participating Interest and the relations between the entities comprising the Contractor are determined in a Partnership Agreement that shall become effective as of the Effective Date.

ARTICLE 23: FOREIGN EXCHANGE CONTROL

23.1. The Contractor shall be subject to the foreign exchange control regulations of the Republic of Côte d'Ivoire, subject to the provisions of this article.

23.2. The Contractor shall be entitled to retain abroad all currencies from the export sales of Hydrocarbons allocated to it by this Agreement, or transfers, as well as its own equity, loan proceeds and, in general all assets it acquires abroad, and to freely dispose of these foreign currencies or assets to the extent that they exceed the needs of its operations in the Republic of Côte d'Ivoire.

23.3. No restriction shall be imposed on loans abroad and the importation of funds by the Contractor intended for the performance of the Petroleum Operations.

23.4. The Contractor shall be entitled to purchase Ivoirian currency with foreign currencies, and to freely convert to the foreign currencies of its choice all funds it holds in the Republic of

Côte d'Ivoire that exceed its local needs, at exchange rates that shall not be less favourable than those generally applicable to any other buyer or seller of foreign currencies.

23.5. The Contractor shall be entitled to pay directly abroad its suppliers not domiciled in the Republic of Côte d'Ivoire for goods and services that are necessary to perform the Petroleum Operations.

23.6. The provisions of this article 23 apply to the Contractors' subcontractors incorporated abroad as well as their expatriate employees.

23.7. The expatriate employees of the Contractor, or any of its agents, contractors and subcontractors shall be entitled to freely send abroad a portion of their salaries paid in the Republic of Côte d'Ivoire and any investment income earned on these salaries.

ARTICLE 24: CURRENCY UNIT USED FOR BOOKKEEPING

24.1. The accounting records and books relating to this Agreement shall be kept in French and denominated in Dollars. These accounts shall be used in order to determine the amount of Petroleum Costs, gross income, production expenses, net earnings and for preparation of the income declarations of the Contractor; they shall also include the accounts of the Contractor showing the sales of Hydrocarbons pursuant to this Agreement.

For information purposes, the accounts and balance sheets shall also be kept in CFA francs.

24.2. Whenever it is necessary to convert to Dollars the expenses and income denominated in another currency, the exchange rages used shall be equal to the arithmetic average of the daily closing purchase and sale rate for said currency during the month in which the expenses were paid and the income received provided that if the Contractor actually buys or sells a currency using another currency, the Contractor will use the effective exchange rate for the accounting records and books.

In the event of official devaluation or revaluation during a given month, two (2) arithmetic averages shall be applied, the first calculated based upon daily closing purchase and sale rate for the period from the first day of the month up to and including the day of such devaluation or revaluation, the second calculated based upon daily closing purchase and sale rate for the period from the day of such devaluation or revaluation, not inclusive, up to the last day of the month in question.

The exchange rate to be applied for the devaluations indicated in this article shall be the rates published on the Paris exchange market or, in the absence thereof, the rates published by Citibank N.A., New York.

24.3. The original accounting records and books indicated in article 24.1 shall be kept in the Republic of Côte d'Ivoire.

The accounting records and books shall be justified by detailed receipts for revenues and Petroleum Costs.

ARTICLE 25: ACCOUNTING METHOD AND VERIFICATIONS

25.1. The Contractor shall maintain its accounting records and books in accordance with current legislation applicable in the Republic of Côte d'Ivoire and the provisions of the Accounting Procedure indicated in appendix 2 attached hereto, which is an integral part of this Agreement.

25.2. The Government, after informing the Contractor in writing with notice of thirty (30) days, shall be entitled to inspect, examine and verify, through its own agents or by experts of its choice, the accounting records and books related to the Petroleum Operations, and shall have a term of four (4) Calendar Years following the end of each Calendar Year to perform the inspections, examinations or verifications for said Calendar Year and to submit to the Contractor its objections regarding all contradictions or errors detected during the inspections, examinations or verifications.

If the Government fails to submit a claim within the four (4) Calendar Years indicated above, no objection or claim from the Government for the Calendar Year in question shall be allowed.

25.3. At the end of the audit, the Government shall notify the Contractor of the preliminary audit report which shall mention all the points that do not comply with the Agreement. The Contractor then has fifty (50) days from the date of the Government's notice to provide the necessary supporting documents for the preliminary audit reportand, if necessary, the Contractor may obtain additional time that will not exceed thirty (30) days.

At the end of this process, the factors that do not comply with the Agreement and that are retained in the final audit report, will be the subject to accounting adjustments by the Contractor or rectifications, adjustments, or modifications by the Contractor.

<u>ARTICLE 26:</u> IMPORT AND EXPORT

26.1. a) The Contractor shall, in accordance with article 17.7, be entitled to import into the Republic of Côte d'Ivoire, on its behalf and on behalf of its subcontractors, all technical equipment, materials, equipment, machines and tools, devices, automotive vehicles, aircraft, spare parts and consumables, office and computer supplies and equipment, goods and supplies, necessary for the Petroleum Operations.

b) The Contractor shall also be entitled to import into the Republic of Côte d'Ivoire, on its behalf and on behalf of its subcontractors, the furnishings, clothing, household appliances and personal effects of all foreign employees and their family members, assigned to work in the Republic of Côte d'Ivoire on behalf of the Contractor or its subcontractors.

c) Nevertheless, the Contractor and its subcontractors agree to only import the goods indicated in article 26.1.a) insofar as said are not available in the Republic of Côte d'Ivoire at similar quantity, quality, price, payment terms and conditions, subject to special technical requirements or urgency presented by the Contractor, its agents, contractors or its subcontractors.

d) The Contractor, its agents, contractors and subcontractors, shall be entitled to re-export from the Republic of Côte d'Ivoire, free of all duties and taxes, at any time, all items imported according to articles 26.1 a) and 26.1 b) that are no longer necessary for the Petroleum Operations in accordance with the provisions of article 20.

26.2. All of the imports indicated in article 26.1 that the Contractor, its agents, contractors and subcontractors, their foreign employees and their family members are entitled to perform in one or more shipments to the Republic of Côte d'Ivoire, shall be fully exempt from all duties and taxes payable at entry.

The applicable administrative formalities, accordingly, shall be those of the following systems:

a) Exceptional temporary admission system, suspending all entry duties and taxes for the materials, equipment, machines and tools, automotive vehicles, goods and supplies necessary for proper performance of the Petroleum Operations, throughout the duration of use in the Republic of Côte d'Ivoire, including the continental shelf, with the understanding that for the materials, equipment, machines and tools, automotive vehicles, goods and supplies consumed during the Petroleum Operations or left on site, clearance of the Exceptional temporary admission shall be automatic upon a simple quarterly declaration and without paying duties and taxes.

In the event of duly justified urgency, the materials, equipment, machines and tools, automotive vehicles, goods and supplies shall be made available to users upon their arrival in the Republic of Côte d'Ivoire, with the administrative formalities relating to their admission being performed thereafter, as soon as possible.

b) Bunkering regime, for consumable products and goods, fuels and lubricants used offshore, especially on vessels, aircraft and oil exploration and production equipment.

c) Duty-free admission according to current legislation in the Republic of Côte d'Ivoire, for furnishings, clothing, household appliances and personal effects.

26.3. Articles other than those indicated in article 26.1 shall be subject to the ordinary laws of the Republic of Côte d'Ivoire.

26.4. The Contractor, its agents, contractors and subcontractors shall be entitled to sell in the Republic of Côte d'Ivoire, subject to notifying the Government in advance of their intent to sell and subject to the provisions of article 20, all equipment, materials, machines and tools, devices, automotive vehicles, spare parts and consumables, office and computer supplies and equipment, goods and supplies that they imported if they are considered to be surplus or are no longer necessary for the Petroleum Operations. In this case, the seller shall be required to pay all applicable duties and taxes as of the date of the transaction and to perform all formalities required by current legislation in the Republic of Côte d'Ivoire.

The Government shall have the preferential right to purchase all of the items listed above at prices and conditions equal to those accepted by Third Parties. This right shall be exercised within a term not exceeding the term accepted by said Third Parties for executing the purchase.

26.5. The Contractor, its clients and their shippers, throughout the term of validity of this Agreement, shall be entitled to freely export, at the point of export selected for this purpose, free of all duties and taxes payable at exit, at any time, the portion of Hydrocarbons to which the Contractor is entitled by virtue of the provisions in articles 16 and 21 of this Agreement.

26.6. All imports and exports made pursuant to this Agreement shall be subject to the formalities and documentation required by the customs authorities, but shall not entail any payment of entry

or exit duties and taxes, subject to the provisions of article 26.3, according to the regime for which the Contractor is eligible pursuant to the provisions of this Agreement.

ARTICLE 27: MAKING CRUDE OIL PRODUCTION AVAILABLE TO MEET NATIONAL DEMAND

27.1. Each Calendar Year, up to a total of ten percent (10%) of the share of Crude Oil production corresponding to the Contractor pursuant to the articles 16.2 and 16.3, shall be sold to PETROCI by the Contractor in order to meet the demand of the domestic market of the Republic of Côte d'Ivoire. Similarly, the Contractor will sell to PETROCI a total of up to ten percent (10%) of the Contractor's share of Natural Gas production under Articles 21.1.5, 21.2.4 and 21.3.1 to meet the needs of Republic of Côte d'Ivoire's internal market.

The contribution of the Contractor shall be proportional to its share of production, as defined in articles 16.2, 16.3, 21.1.5, 21.2.4 and 21.3.1, in relation to the total production of Crude Oil and Natural Gas in the Republic of Côte d'Ivoire.

The quantity of Crude Oil and Natural Gas that the Contractor shall be required to sell to PETROCI shall be notified to it by PETROCI at least three (3) months before the start of each Calendar Quarter.

27.2. The price of the Crude Oil sold to PETROCI under article 27.1 to meet the demand of the domestic market shall be equal to seventy-five percent (75%) of the Market Price defined in article 18.

The price of the Natural Gas sold to PETROCI under article 27.1 to meet the demand of the domestic market shall be equal to seventy-five percent (75%) of the Market Price defined in article 21.3.7.

The twenty-five percent (25%) allowance on the price of the Crude Oil and that of the Natural Gas sold to PETROCI to meet domestic demand shall be deemed to be Petroleum Costs and recoverable in accordance with article 16.2, 21.1.5 and 21.2.4.

27.3. The price of this Crude Oil and Natural Gas shall be payable to the Contractor, in CFA francs, two (2) months after receipt of the invoice, unless otherwise agreed between the Parties.

For the purpose of converting the Dollars into CFA francs, PETROCI will use the exchange rate specified according to the procedure provided in article 24.2.

ARTICLE 28: TRANSFER OF TITLE TO THE HYDROCARBONS AND LIFTING

28.1. The transfer of title and risks to the share of production of Hydrocarbons corresponding to each Party shall occur at the Point Of Delivery of the Natural Gas or at the Point of Transfer of the Crude Oil.

The Contractor shall not become the owner of the Hydrocarbons before this Point of Transfer of the Natural Gas or Crude Oil but it shall contract all insurance necessary in order to cover

any damage, loss or liability that may occur before the Point of Transfer of the Natural Gas or Crude Oil caused by the Contractor, its agents and its subcontractors.

28.2. The Government and the Contractor shall have the right and obligation, subject to the provisions of articles 16, 21 and 27.1, to lift and control the share of Hydrocarbons corresponding to it pursuant to this Agreement.

This share shall be lifted on as regular a basis as possible, with the understanding that each of the Parties, within reasonable limits, shall be authorised to lift more (overlift) or less (underlift) than its share of Hydrocarbons produced and not lifted on the day of lifting, provided that this overlift or underlift does not affect the rights of the other Parties and that it is compatible with the production rates and storage capacity.

In establishing the order of lifting, priority shall be given to the Party with the greatest quantity of Hydrocarbons produced and not lifted at a given time.

The Parties shall periodically meet to establish a provisional lifting program based upon the principles described above, taking into account the wishes of the Parties with regard to the dates and quantities of their liftings, insofar as their wishes are compatible with these principles.

Before the start of production in the Delimited Region, the Parties shall enter into a lifting agreement consistent with the principles expressed in this article.

ARTICLE 29: PROTECTION OF RIGHTS

29.1 The Contractor shall take all reasonable measures necessary to perform its obligations pursuant to this Agreement. It shall be held liable in accordance with the applicable laws and regulations of the Republic of Côte d'Ivoire with respect to any damage or loss which the Contractor, its employees, contractors, subcontractors or agents and their employees may cause to Third Parties, to the property or rights of other persons, due to or as a result of the Petroleum Operations.

29.2. The Government shall take all reasonable measures to facilitate the implementation by the Contractor of the objectives of this Agreement and protect the Contractor, the Contractor's assets and operations, and its employees and subcontractors in the Republic of Côte d'Ivoire.

29.3. Upon a duly justified request from the Contractor, the Government shall prohibit the construction of residential or commercial buildings near the facilities that the Contractor may declare to be hazardous as a result of its operations. It shall take the necessary precautions to prohibit mooring near pipelines submerged under river crossings, and to prohibit all interference with the use of any other facility necessary for the Petroleum Operations, both onshore and offshore.

29.4. The Contractor shall carry, and ensure that its contractors and subcontractors carry, for the Petroleum Operations, all insurance in the type and amounts in customary use in the international petroleum industry, especially third party liability insurance and insurance covering damage to the property, facilities, equipment and materials, notwithstanding other insurance that may be required according to Ivoirian legislation.

The Contractor shall provide the Government with proof of carrying the insurance indicated above. The insurance must be contracted from highly regarded insurance companies.

29.5. In the event that the Government may be held liable due to or as a result of the Petroleum Operations, the Contractor shall indemnify and hold the Government harmless from any claim, loss or damage whatsoever caused by or as a result of the Petroleum Operations to the extent that it is finally determined pursuant to applicable law, provided that said claims, losses or damage are not due in whole or in part to an action by the Government.

ARTICLE 30: PERSONNEL, TRAINING, EQUIPMENT AND SOCIAL WORK

30.1. The Contractor, for performing the Petroleum Operations, shall give priority to employing domestic labour from the Republic of Côte d'Ivoire, in accordance with the provisions after this article 30.1.

Non-Ivorian directors, technicians, engineers, accountants, geologists, geophysicists, scientists, chemists, drillers, foremen, mechanics, skilled labourers, secretaries and supervisors may only be hired by the Contractor outside of the Republic of Côte d'Ivoire if Ivoirian specialists with the same qualifications cannot be hired within the country or abroad, transferred from PETROCI or the petroleum administration.

Within ninety (90) days of the granting of an exclusive production permit, the Contractor shall submit a plan for the "Ivoirization" of its personnel to the Government for approval, and which shall be financed by the Contractor once approved.

For this purpose, the Contractor shall employ at least seventy percent (70%) of Ivoirian personnel no later than the anniversary date of the start of commercial production, at least eighty (80%) three (3) years after the start of commercial production, and at least ninety (90%) five (5) years after the start of commercial production.

If one of these objectives is not met, the Government may require the Contractor, excluding PETROCI, to establish a training program in order to achieve the targets stipulated above. Said training program shall be allocated an annual amount of not less than five hundred thousand Dollars (US$ 500,000), not recoverable as Petroleum Costs, and shall be submitted to the Government for approval.

30.2. Furthermore, the Contractor, excluding PETROCI, as of the Effective Date, shall fund a training program for the Ivoirian nationals. Said program shall cover all of the Petroleum Operations, from exploration through production, especially including but not limited to preparatory studies for the installation and performance of work (such as the geophysical campaign, drilling, production tests, development of a field) and the negotiation of contracts.

For the purposes of this article 30.2, "Ivorian nationals" means the Ivorian administration personnel in charge of hydrocarbons, the scholarship students of the ministry that is responsible for Hydrocarbons and PETROCI personnel.

For this purpose, the Contractor, excluding PETROCI, shall pay the Government a minimum annual training budget of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

No more than fifteen percent (15%) of the training budget shall be allocated to the executive management responsible for Hydrocarbons and the cabinet office of the ministry that is responsible for Hydrocarbons, for the participation by their staff in domestic or international conferences, seminars and missions (as well as their participation in their organisation) and for the carrying out of studies, in relation to the missions of the ministry that is responsible for Hydrocarbons.

30.3. The Contractor, except for PETROCI, agrees to pay the Government an annual budget for performing social works such as the construction of health care infrastructure (medical clinics, dispensaries, hospitals, health care centres, medical equipment or materials, etc.), educational infrastructure and social initiatives, for a minimum amount of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

30.4. The Contractor, except for PETROCI, also agrees to pay the Government an annual budget for the purchase, by the Government, of equipment, material, consumables and services, in a minimum annual amount of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

The annual equipment budget is aimed primarily at petroleum administration equipment and that of the ministry responsible for Hydrocarbons.

No more than fifteen percent (15%) of the training budget shall be allocated to the executive management responsible for Hydrocarbons and the cabinet office of the ministry that is responsible for Hydrocarbons, for the participation by their staff in domestic or international conferences, seminars and missions (as well as their participation in their organisation) and for the carrying out of studies, in relation to the missions of the ministry that is responsible for Hydrocarbons.

30.5. For the purposes of applying articles 30.2, 30.3 and 30.4, the Operator shall fund, from the first two weeks of each Calendar Year and for the first exploration period, no later than two (2) months after the date this Agreement is signed, the annual training, social welfare and equipment budgets, upon the Government Representative's written request including the details of the financing or expenses. The three (3) training, equipment and social welfare budgets are due in full for each Contractual Year including the years in which this Agreement was signed and terminated.

The training expenses and those related to social works and equipment and materials borne by the Contractor, other than PETROCI, will be treated as recoverable Petroleum Costs.

The unused annual training, equipment and social works budgets are carried forward to the next Calendar Year. At the end of each exploration period, the Operator shall, following instructions from the Government, transfer all the balances of the budgets to accounts designated for this purpose.

30.6 Foreign personnel employed by the Contractor, its agents and its subcontractors for the Petroleum Operations shall be authorised to enter the Republic of Côte d'Ivoire. The Government shall facilitate issuance of the administrative documents necessary for said personnel and their family members to enter and stay in the Republic of Côte d'Ivoire.

30.7. All employees required for conducting the Petroleum Operations shall be under the authority of the Contractor or its agents, contractors and subcontractors, in their capacity as employers. Their work, number of hours, wages, and all other conditions of their employment shall be determined by the Contractor or its agents, contractors and subcontractors, in accordance with legislation in force in the Republic of Côte d'Ivoire and the Best Industry Practice in the international petroleum industry. The Contractor, however, shall be free to select and assign its personnel, subject to the provisions of article 30.1.

ARTICLE 31: ACTIVITY REPORTS RELATED TO EXCLUSIVE PRODUCTION PERMITS

31.1. The provisions of article 11 shall apply, *mutatis mutandis,* to exclusive production permits. Furthermore, the following periodic activity reports shall be provided to the Government for each Field:

a) daily production reports, and

b) monthly reports indicating the quantities of Hydrocarbons produced and sold during the past month and the information on these sales in accordance with article 18.5.

Unless the Contractor consents in writing, the information on a Production Perimeter, with the exception of activity statistics, shall, in accordance with article 8.4 above, be considered by the Parties to be confidential throughout the duration of this Agreement.

31.2. The Contractor shall notify the Government as soon as possible of any significant damage of any type to the oil fields or facilities, and shall take all reasonable measures necessary to resolve it and make the necessary repairs.

31.3. As of the date of granting an exclusive production permit, the annual reports indicated in article 8.2 shall also contain the following:

a) information on all development and production operations performed during the past Calendar Year, including the quantities of Hydrocarbons produced and sold, if applicable;

b) information on all transportation operations and sales, as well as the location of the principal facilities constructed by the Contractor, if applicable, and

c) a statement indicating the number of employees and operations, with their qualifications, nationality, their given name and surnames, their number and employment start date.

ARTICLE 32: ARBITRATION

32.1. In the event of a dispute between the Government and the Contractor regarding or arising from this Agreement, the Parties shall endeavour to resolve this dispute amicably.

If, within ninety (90) days from the date of notification from one Party to the other of the dispute, the Parties are unable to resolve the dispute, it shall be submitted, at the request of the first Party to do so, to an arbitration procedure made up of three (3) arbitrators, in accordance with the applicable Arbitration Rules of the ICC.

No arbitrator shall be a national of the countries of origin of the Parties.

32.2. The place of arbitration shall be Paris (France). The language used in the proceedings shall be French, and the applicable law shall be Ivoirian law and in accordance with Best Industry Practice.

The award issued by the arbitral tribunal shall be definitive, binding upon the Parties and immediately enforceable.

The Parties formally and without reservation waive any right to attack such award, to impede its recognition and its execution by any means whatsoever.

32.3. The arbitration expenses shall be paid by the Parties according to ICC rules.

Performance by the Parties of their obligations arising out of this Agreement shall not be suspended during the period of arbitration.

32.4. The parties agree that this article will remain effective after the end of this Agreement.

ARTICLE 33: FORCE MAJEURE

33.1. No delay or failure by one Party in performing any of the obligations arising out of this Agreement shall be considered as a breach of said Agreement if this delay or failure is due to an event of Force Majeure.

33.2. In accordance with the terms of this Agreement, "**Force Majeure**" means any unforeseeable, unavoidable event that is beyond the control of a Party, which impedes, delays or prevents that Party from fulfilling its obligations under this Agreement and includes but is not limited to earthquakes, floods, accidents, strikes, lock-outs, riots, delays in obtaining rights of way, insurrections, civil disorder, sabotage, acts of war or circumstances attributable to war, acts of terrorism or any other cause beyond its control, similar to or different than those mentioned above.

In the event of a conflict in interpretation or an event of Force Majeure not listed above, the term "Force Majeure" shall be interpreted as closely as possible according to the principles and practices in the international petroleum industry, as well as the law of the Agreement.

If, following an event of Force Majeure, the performance of any of the obligations of this Agreement is deferred, the duration of the resulting delay, extended by the time that may be necessary to overcome the Force Majeure and to resume the Petroleum Operations, shall be added to the term indicated in this Agreement for performing said obligation, and the exclusive exploration,appraisal or production permits shall be protected accordingly with respect to the region affected by the Force Majeure.

33.3. When one Party believes that it is prevented from performing any of its obligations due to an event of Force Majeure, it must immediately notify the other Party, specifying the information such as to establish the Force Majeure, and shall take, in agreement with the other Party, all useful, necessary and reasonable steps to allow it to resume normal performance of the obligations affected upon cessation of the event constituting Force Majeure.

The obligations other than those affected by the Force Majeure shall continue to be performed in accordance with the provisions of this Agreement.

33.4. If a situation of Force Majeure continues for a period of twelve (12) months from the date of notice in accordance with article 33.3, the Contractor may, upon at least ninety (90) days written notice to the Government, terminate the Agreement.

ARTICLE 34: JOINT AND SEVERAL OBLIGATIONS AND WARRANTIES

34.1. All clauses, conditions and provisions of this Agreement shall be mandatory for the Parties and their respective successors and assigns. This Agreement constitutes the entire agreement between the Parties and no prior communication, promise or agreement, whether verbal or written, between the Parties relative to the subject of this Agreement may be invoked in order to amend the clauses hereof.

The Government certifies and warrants that there is no other agreement in effect concerning the petroleum rights of the Delimited Region, that it shall correctly and faithfully discharge its obligations, and this Agreement shall not be cancelled, amended or changed without the approval of the Parties.

34.2. Save for the contrary provisions in article 22.3.c), when the Contractor is composed of several entities, the obligations and liability of such entities by virtue of this Agreement shall be joint and several, it being understood that the Contractor shall not be jointly and severally liable for the income tax set forth in article 17.

34.3. The entities constituting the Contractor, its parent company or Affiliated Companies specficially BP Explorating Operating Company and Kosmos Energy Operating shall submit to the Government, for approval, within sixty (60) days running from the Effective Date an undertaking guaranteeing proper performance under the terms of the proper performance undertaking contained in Appendix 4.

ARTICLE 35: ASSIGNMENT RIGHTS

35.1. Subject to the written consent of the Government, which shall not be unreasonably withheld, with the exception of the provisions of article 22.3.e), the rights and obligations arising out of this Agreement may be assigned by any of the entities comprising the Contractor, in whole or in part, to Third Parties with a well-established technical and financial reputation.

The said Third Party assignees shall, together with the other entities that constitute the Contractor be jointly and severally liable for the obligations arising out of this Agreement.
The conditions for all assignments and for joint and several ownership shall be approved in advance by the Government.

If, within sixty (60) days following notification to the Government of a planned assignment, accompanied by all related information, and a draft of the assignment instrument, it has not notified its decision, this assignment shall be deemed to be approved by the Government.

As of the date of approval of an assignment, the assignee shall be bound by the terms and conditions of this Agreement, and in the event of full assignment, the assignor will no longer be bound by the terms and conditions of this Agreement.
Every assignment of rights or interests to Third Parties is subject to the payment of a transfer fee that is set in accordance with the law in force in the Republic of Côte d'Ivoire.

The fees that are fixed for this purpose, in accordance with article 17.7, will be borne by the assignee who must pay them within thirty (30) days following the date on which the transfer was approved.

35.2. Save for the provisions in article 22.3.e), the joint and several rights and obligations arising out of this Agreement may be freely assigned at any time, in whole or in part, by any of the entities comprising the Contractor to one or more Affiliated Companies, or to the other entities comprising the Contractor.

The Contractor shall notify the Government of said assignments before the effective date thereof and, if applicable, the provisions of article 34.2 shall be applicable.

35.3. The assignments made in violation of the provisions of this article are null and void.

ARTICLE 36: APPLICABLE LAW AND STABILITY OF CONDITIONS

36.1. The laws and regulations in effect in the Republic of Côte d'Ivoire and Best Industry Practice shall be applicable at all times to the Contractor, this Agreement and the operations it covers.

36.2. This Agreement is entered into by the Parties in accordance with the laws and regulations in effect at the time of execution and in relation to the provisions of said laws and regulations, especially with regard to its economic, tax and financial provisions.

As a result, in the event that (i) subsequent laws and regulations modify the provisions of laws and regulations in effect at the time of executing this Agreement or (ii) there is a change in the interpretation or application of any law, decree or regulation in the Republic of Côte d'Ivoire by a judicial, arbitral or administrative authority, and such modifications or changes entail a material change in the respective economic situation of Parties according to the current provisions of said Agreement, the Parties shall use their best endeavours to reach in good faith an agreement to change such provisions as necessary so as to re-establish the economic equilibrium of the Agreement as established at the time of execution of this Agreement. This provision applies mutatis mutandis to any case involving an international binding instrument applicable in the Republic of Côte d'Ivoire.

If, despite their efforts, the Parties cannot reach an agreement, the provisions of article 32 above may be applied.

36.3. The Parties agree that (i) the Petroleum Code establishes a special regime for oil companies and (ii) the Contractor may conduct the Petroleum Operations in accordance with Article 8 of the Petroleum Code.

ARTICLE 37: PERFORMANCE OF THE AGREEMENT

37.1. The Parties agree to cooperate in all manners possible in order to achieve the objectives of this Agreement.

For this purpose, a coordination committee ("**Coordination Committee**") composed of the Government, PETROCI and the Operator will be set up. This Coordination Committee will meet at least one (1) time during the Calendar Year and whenever necessary upon the justified request by one (1) of its members. The proposed agenda must accompany this request.

The Coordination Committee shall be chaired by the Government.

The Coordination Committee shall be a framework for information of the Government, by the Operator on the budgets, programs and performance of work and contractual obligations in the Delimited Region.

The Government shall facilitate the performance of activities by the Contractor by granting it all permits, licenses and rights necessary to perform the Petroleum Operations, and by making available to it all appropriate services and facilities, so that the Parties may get the most profit out of genuine cooperation. Nevertheless, the Contractor is required to comply with applicable procedures and formalities of the appropriate government departments.

37.2. All notifications or other communications referring to this Agreement shall be made in writing and shall be addressed to an authorised representative of the Party in question at the principal place of business in the Republic of Côte d'Ivoire of said Party by:

a) prepaid registered letter,
b) cable or telegram
c) telex or fax with acknowledgement of receipt, or
d) hand delivery with signed receipt.

Notifications shall be considered to be made on the date of receipt by the addressee.

37.3. If the Government believes that the Contractor has breached any of its obligations under this Agreement, it shall notify the Contractor to this effect in writing and the Contractor shall have sixty (60) days to remedy or submit the issue to arbitration in accordance with the provisions of article 32 of this Agreement.

37.4. Breach by the Contractor with regard to observing the provisions of this Agreement may result in termination of this Agreement by the Government, after notifying Contractor in accordance with the provisions of article 37.3, with the understanding that such termination shall not be declared if the Contractor has begun to remedy the breach after notifying the Government of the measures taken for this purpose or if the issue is submitted to arbitration in accordance with the provisions of article 32.

In the event of bankruptcy entailing liquidation of one of the entities comprising the Contractor, the rights of said entity pursuant to this Agreement shall immediately lapse and the other entities comprising the Contractor may assume the percentage of said entity's share in accordance with the joint venture agreement, and its obligations pursuant to this Agreement. In the event that the entity in liquidation is the Operator, the Government may terminate this Agreement if the new Operator appointed by the other entities which compose the Contractor does not fulfil the technical and financial capacities.
The termination of this Agreement shall not release the Contractor from its obligations created before or at the time of the termination.

37.5. The terms and conditions of this Agreement may only be amended if done in writing and by mutual agreement between the Parties.

37.6. Unless otherwise arranged or decided in writing, the Government will be represented by the Director General of Hydrocarbons in accordance with the terms of this Agreement. In this regard, the Director General of Hydrocarbons shall give, in the name and on behalf of the Government, all consents that may be necessary or appropriate for performance of the Agreement and will receive all notices on behalf of the Government under this Agreement. The Director General of Hydrocarbons shall also provide all reasonable assistance to the Contractor with respect to its activities in the Republic of Côte d'Ivoire.

37.7. The headings appearing in this Agreement were inserted for ease of reading and reference and in no way define, limit or describe the scope or purpose of the Agreement or any of its clauses.

37.8. Appendices 1, 2, 3, 4 and 5 attached hereto are an integral part of this Agreement.

37.9. Any waiver by the Government of the performance of an obligation of the Contractor shall be made in writing and signed by the representative of the Government, and no waiver may be considered as implicit if the Government waives asserting any of the rights conferred to it by this Agreement.

ARTICLE 38: EFFECTIVE DATE

After being signed by the Parties, this Agreement shall become effective. The date of signature is designated as the Effective Date, thereby making said Agreement binding upon the Parties.

IN WITNESS WHEREOF, the Parties signed this Agreement in 7 (seven) originals.

Done in Abidjan, this 21 December 2017 ("Effective Date")

FOR THE REPUBLIC OF COTE D'IVOIRE

The Secretary of State with the Prime Minister, responsible for State Budget and Portfolio	The Minister of Economy and Finance	The Minister of Petroleum, Energy and the Development of Renewable Energy
/s/ Moussa Sanogo	**/s/ Adama Kone**	**/s/ Thierry Tanoh**
Moussa SANOGO	**Adama KONE**	**Thierry TANOH**

FOR THE CONTRACTOR

PETROCI HOLDING	KOSMOS	BP
/s/ Ibrahima Diaby	**/s/ Brian F. Maxted**	**/s/ Andrew Mcauslan**
Dr. Ibrahima DIABY	**Brian F. MAXTED**	**Andrew MCAUSLAN**
Director General	**Chief Exploration Officer**	**Head of Business Development**

APPENDIX 1

Attached to and forming an integral part of this Agreement by and between the Republic of Côte d'Ivoire and the Contractor.

1.1 DELIMITED REGION

As of the Effective Date, the Delimited Region, referred to as Block CI-707 is composed of the area within the perimeter formed by the points bw, 10K, 10P, 96G, 17D, bw and 17C indicated on the attached map.

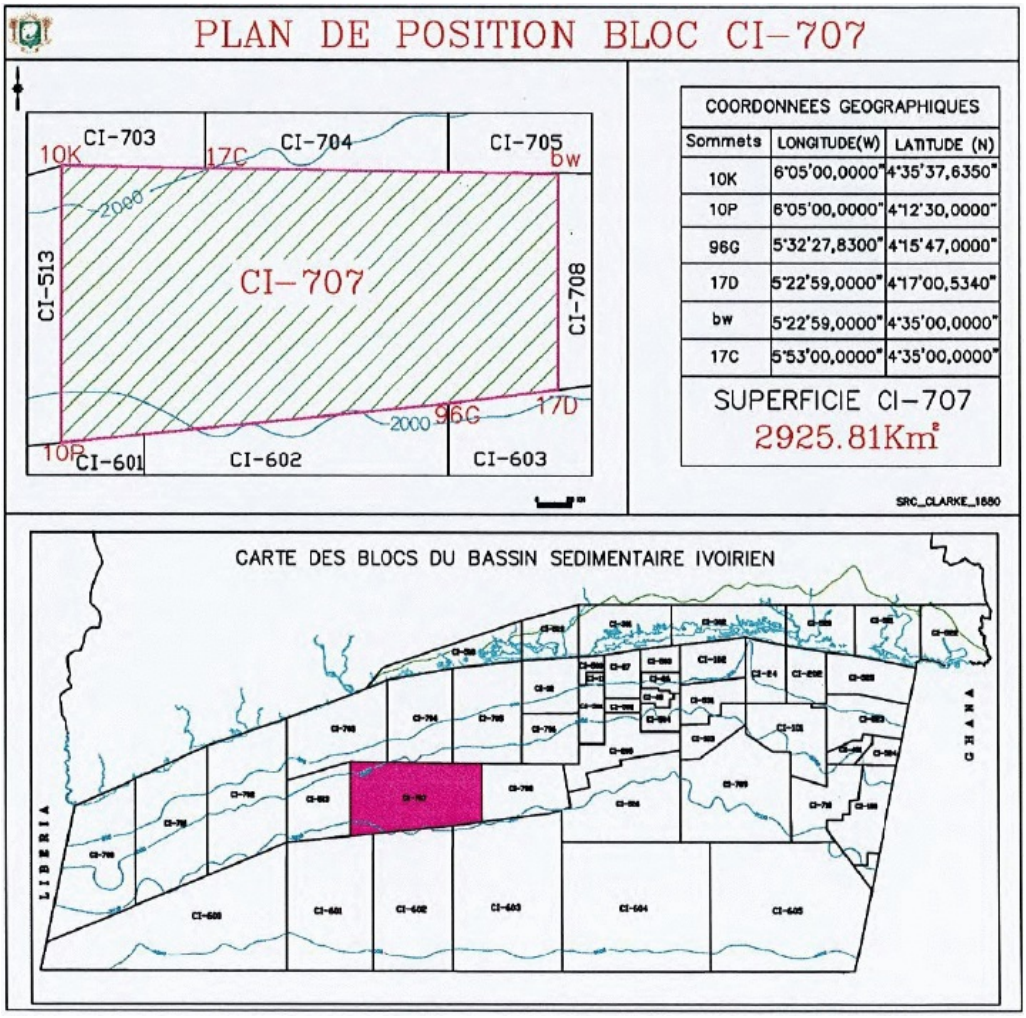
The geographical coordinates of these points are as follows, in relation to the Greenwich meridian:

Point	Longitude (W)	Latitude (N)
10K	6°05'00,0000"	4°35'37,6350"
10P	6°05'00,0000"	4°12'30,0000"
96G	5°32'27,8300"	4°15'47,0000"
17D	5°22'59,0000"	4°17'00,5340"
bw	5°22'59,0000"	4°35'00,0000"
17C	5°53'00,0000"	4°35'00,0000"

The topographical reference system is CLARKE 1880 ellipsoid and the datum is Abidjan 1987.

The area of the Delimited Region defined above is considered to be equal to approximately two thousand nine hundred twenty-five decimal eighty-one (2,925.81 km²) square kilometres.

1.2 MAP OF THE DELIMITED REGION



APPENDIX 2

Attached to and forming an integral part of this Agreement by and between the Republic of Côte d'Ivoire and the Contractor.

ACCOUNTING PROCEDURE

Article 1. GENERAL PROVISIONS

1.1. Purpose

This Accounting Procedure shall be followed and observed in performing the obligations under the Agreement to which this Appendix is attached.

1.2. Accounts and statements

The accounting records and books of the Contractor shall comply with legislation, and be kept according to the General Business Accounting Plan in effect in the Republic of Côte d'Ivoire. Nevertheless, the Contractor may apply the accounting rules and procedures in practice in the international petroleum industry to the extent that they are not contrary to the above-mentioned legislation and plans.

In accordance with the provisions of article 24 of the Agreement, the accounts, books and records shall be kept in French and denominated in Dollars. These accounts shall be used specifically in order to determine the amount of Petroleum Costs, the recovery of said costs, the production sharing, as well as for filing the income declarations of the Contractor. For information purposes, the accounts and balance sheets shall also be kept in CFA francs.

The Contractor shall record all activity related to the Petroleum Operations in separate accounts from those related to any other activities that may be performed in the Republic of Côte d'Ivoire.

All accounts, books, records and statements, as well as the supporting documents for expenses incurred, such as invoices and service contracts, shall be retained in the Republic of Côte d'Ivoire so that they may be produced if so requested by the appropriate Ivoirian authorities.

1.3. Interpretation

Unless otherwise provided in this Accounting Procedure, the definitions of the terms appearing in this Appendix 2 shall be the same as the corresponding terms appearing in the Agreement.

In the event of a conflict between the provisions of this Accounting Procedure and the Agreement, the Agreement shall prevail.

1.4. Modifications

The provisions of this Accounting Procedure may be amended by mutual agreement of the Parties.

1.5. Definitions

The terms used in this Accounting Procedure are defined as follows:

a) Development Expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations relative to a Production Perimeter excluding Production Expenses and Financial Expenses

b) Appraisal Expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations relative to an Appraisal Perimeter.

c) Production Expenses are all costs and expenses borne and paid by the Contractor for producing and maintaining the wells, equipment and related facilities relative to a Field from the start of production of said Field. The Production Expenses shall also include all costs and expenses borne and paid by the Contractor for producing and maintaining the pipelines, generators, warehouses, pools and other facilities that the Contractor acquires, builds or installs in accordance with the provisions of article 7.2. of the Agreement for performing the Petroleum Operations.

d) Exploration expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations (especially including the costs and expenses indicated in article 2.2.13 of this Accounting Procedure), excluding Appraisal Expenses, Development Expenses, Production Expenses, Financial Expenses, Overheads in the Republic of Côte d'Ivoire and Overheads Abroad.

e) Financial Expenses means the interest and fees indicated in article 2.2.10 of this Accounting Procedure.

f) Overheads in the Republic of Côte d'Ivoire means the costs and expenses indicated in article 2.2.2 of this Accounting Procedure.

g) Overheads Abroad means the costs and expenses indicated in article 2.2.3 of this Accounting Procedure.

Article 2. PETROLEUM COSTS

2.1. Petroleum Costs Account

The Contractor shall keep a "**Petroleum Costs Account**" to record in detail the expenses incurred and effectively paid by the Contractor in relation to the Petroleum Operations performed pursuant to this Agreement, which shall be recoverable in accordance with the provisions of articles 16 and 21 of the Agreement. Recovery of the Petroleum Costs will be on the basis of the expenses incurred and effectively paid.

In particular, this Petroleum Costs Account shall separately indicate, by Appraisal Perimeter or Production Perimeter, if applicable, the following expenses:

a) the Exploration Expenses;
b) the Appraisal Expenses;
c) the Development Expenses;
d) the Production Expenses;
e) the Financial Expenses;
f) the Overheads in the Republic of Côte d'Ivoire;
g) the Overheads abroad;
h) the abandonment reserve funds:
i) national needs, and
j) training, equipment and social works expenses.

The Petroleum Costs Account shall allow, among others, the following to be identified at any time:

a) the total amount of Petroleum Costs since the Effective Date;

b) the total amount of Petroleum Costs recovered;

c) the total amount credited to the Petroleum Costs Account pursuant to article 2.4.b) of this Accounting Procedure, and

d) the total amount of Petroleum Costs still to be recovered.

For the purposes of application of articles 16 and 21 of the Agreement, the Petroleum Costs shall be recovered according to the following order of priority:

a) production expenses of a Field incurred and effectively paid from the start date of regular production;

b) financial expenses, and

c) other Petroleum Costs.

Furthermore, in each of the categories indicated above, the costs shall be recovered in the order in which they are incurred and effectively paid.

Notwithstanding any provisions to the contrary in this Accounting Procedure, the intent of the Parties is to not duplicate any credit or debit in the accounts maintained pursuant to the Agreement.

2.2. Debits posted to the Petroleum Costs Account
The following expenses and charges shall be posted as debits in the Petroleum Costs Account:

2.2.1. Personnel Expenses
All payments made to cover the salaries and wages of the employees of the Contractor directly assigned in the Republic of Côte d'Ivoire, on a temporary or permanent basis, to the Petroleum Operations performed pursuant to this Agreement, including statutory and welfare costs and all additional charges or expenses set forth in individual or collective agreements or according to the internal administrative regulations of the Contractor.

2.2.2. Overheads in the Republic of Côte d'Ivoire
Fees and salaries of personnel of the Contractor working in the Republic of Côte d'Ivoire on the Petroleum Operations whose work time is not directly assigned to the programs, as well as the costs of maintaining and operating a general and administrative office and auxiliary offices in the Republic of Côte d'Ivoire necessary for the Petroleum Operations.

2.2.3. Overheads abroad
The Contractor shall add a reasonable amount for overhead paid abroad, related to performing the Petroleum Operations by the Contractor and its Affiliated Companies, such amounts representative of the estimated cost of services performed for said Petroleum Operations and corresponding to actual services performed abroad by the Contractor or its Affiliated Companies.

Overheads abroad includes part of the salaries and wages paid to staff residing abroad as well as a portion of general administrative costs for central services located abroad.

The amounts allocated shall be provisional amounts determined based upon the experience of the Contractor, and shall be adjusted annually according to the actual costs borne by the Contractor.

Nevertheless, the overheads paid abroad shall only be allocated within the following limits:

a) before granting an exclusive production permit: five percent (5%) of the expenses allocated to the Petroleum Costs Account excluding overhead for the Calendar Year in question;

b) as of the time of granting the first exclusive production permit: three percent (3%) of the expenses allocated to the Petroleum Costs Account excluding bonuses and overhead for the Calendar Year in question.

2.2.4. Buildings
Expenses for construction, maintenance and related costs, as well as rent paid for all offices, homes, warehouses and other types of buildings, including housing and recreation centres for employees, and the cost of equipment, furnishings, fittings and supplies necessary to use these buildings as required for the needs of the Petroleum Operations.

2.2.5. Materials, Equipment and rent
Costs of equipment, materials, machines, articles, supplies and facilities purchased or supplied for use in the Petroleum Operations, as well as rent or compensation paid or incurred for the use of all equipment and facilities necessary for the Petroleum Operations, including the facilities exclusively owned by the Contractor.

2.2.6. Transportation
Transportation of personnel, equipment, materials and supplies, within the Republic of Côte d'Ivoire and between the Republic of Côte d'Ivoire and other countries, necessary for the Petroleum Operations.

The personnel transportation costs include the expenses for transferring employees and their family, paid by the Contractor, in accordance with the policy established by the Contractor.

2.2.7. Services Rendered
Expenses for services rendered by subcontractors, consultants, expert advisors and public utilities, as well as all costs related to services rendered by the Government or any other authorities of the Republic of Côte d'Ivoire.

The expenses for services rendered by Affiliated Companies, provided that these costs do not exceed those that would normally be charged by independent companies for the same or similar service taking into account the quality and availability of those services.

2.2.8. Insurance and claims
Premiums paid for insurance that must normally be carried for the Petroleum Operations which must be performed by the Contractor pursuant to the Agreement, as well as all expenses incurred and paid to settle all losses, claims, compensation and other expenses, including those for legal services not recovered by the insurance carrier and those derived from court decisions.

If after approval by the Government no insurance is carried, all expenses paid by the Contractor to settle all losses, claims, compensation, legal judgments and other expenses.

2.2.9. Legal expenses
All expenses relative to conducting, examining and settling disputes or claims arising from the Petroleum Operations, or those necessary for defending or recovering assets acquired in performing the Petroleum Operations, especially including discovery or investigation fees, court fees and amounts paid to settle or resolve such disputes or claims.
If such measures must be conducted by Contractor's legal personnel, reasonable remuneration will be included in the Petroleum Costs, which shall not exceed the cost of the same or similar service normally performed by an independent company.

2.2.10 Financial expenses
All interest and fees the Contractor pays in respect of loans contracted from Third Parties and advances obtained from Affiliated Companies, to the extent that such loans and advances are allocated solely to the financing of a Field's Development Expenses, and do not exceed seventy-five percent (75%) of the total amount of these Development Expenses.

These loans and advances shall be submitted for administration approval under the conditions provided in article 72.3 of the Petroleum Code, except as otherwise provided in article 17.4.c) of this Agreement.

Where the financing has been provided by Affiliated Companies, the eligible interest rates must not exceed the rates normally used in the international financial markets for similar loans.

2.2.11. National needs
The discount of twenty-five percent (25%) conceded to PETROCI on sales of Crude Oil and Natural Gas to meet national needs in accordance with article 27.2 of the Contract.

2.2.12. Training expenses, social services and provision of equipment and materials
All expenses and costs incurred under article 30 of this Agreement.

2.2.13. Other expenses
All expenses borne and paid by the Contractor for the necessary and correct performance of the Petroleum Operations within the context of the Annual Work Programs and approved Budgets, with the exception of expenses covered and paid by the foregoing provisions in this article and the expenses excluded from the Petroleum Costs.

These other expenses include, in particular, foreign exchange losses actually incurred by the Contractor in performing the Petroleum Operations.

2.3. Expenses not attributable to the Petroleum Costs Account
The expenses that are not related to performing the Petroleum Operations, and the expenses excluded according the provisions of the Agreement or this Accounting Procedure and by the Petroleum Code and its implementing decree, are not attributable to the Petroleum Costs Account and thus are not recoverable.

These expenses notably include:

a) the expenses relative to the period prior to the Effective Date save for the provisions in article 16.7;

b) all expenses relative to the Operations performed beyond the Point of Delivery, such as transportation and marketing expenses;

c) the financial expenses relative to financing the Petroleum Exploration Operations, and those relative to the portion of financing the Development Expenses exceeding seventy-five percent (75%) of the total amount of the Development Expenses;

d) the bonuses defined in article 19 of this Agreement.

e) foreign exchange losses other than those indicated in article 2.2.13 of this Accounting Procedure.

Furthermore, the charges indicated in articles 17.4.d), and 17.4.g) of this Agreement, although deductible from net profits for purposes of the industrial and commercial income tax, cannot be chargeable to the Petroleum Costs Account due to how they are defined.

2.4. Credits posted to the Petroleum Costs Account

The following revenue and income shall specifically be credited to the Petroleum Costs Account:

a) revenue derived from selling the quantity of Hydrocarbons available to the Contractor, in accordance with articles 16 and 21 of this Agreement, for recovery of the Petroleum Costs;
b) all other revenue or income related to the Petroleum Operations, especially those derived from:

- the sale of related substances;
- all services rendered to Third Parties using the facilities allocated to the Petroleum Operations, especially the processing, transportation and storage of products for Third Parties in these facilities;
- the transfer of assets of the Contractor, and the transfer of some or all of the rights and obligations of the Contractor according to article 35 of this Agreement;
- foreign exchange gains actually realised by the Contractor in performing the Petroleum Operations.

Article 3. BASIS FOR CHARGING THE COST OF SERVICES, MATERIALS AND EQUIPMENT USED IN THE PETROLEUM OPERATIONS.

3.1. Rendering technical services

A reasonable fee shall be charged for technical services rendered by the Contractor or its Affiliated Companies for the Petroleum Operations performed pursuant to the Agreement, such as analyses of gas, water, core bores and all other tests and analyses, provided that such costs do not exceed those normally charged for similar services by independent technical service companies and laboratories, taking into account the quality and availability of those services.

3.2. Purchase of materials and equipment

The materials and equipment purchased from Third Parties that are necessary for the Petroleum Operations performed within the context of the Agreement shall be charged to the Petroleum Costs Account at the "Net Cost" borne by the Contractor.

The "Net Cost" shall include the cost of purchasing materials and equipment and items such as taxes, customs agent fees, transportation, loading and unloading expenses and licensing fees, relative to the supply of materials and equipment, as well as transit losses not recovered through insurance.

3.3. Use of equipment and facilities owned exclusively by the Contractor

The equipment and facilities owned by the Contractor and used for the Petroleum Operations shall be charged to the Petroleum Costs Account at a lease rate that shall be sufficient to cover the maintenance, repairs, depreciation and services provided to the Petroleum Operations, provided that such costs do not exceed those normally charged by Third Parties in the Republic of the Republic of Côte d'Ivoire for similar services and taking into account the quality and availability of those services.

3.4. Valuation of equipment

Any equipment transferred to the Republic of Côte d'Ivoire from the warehouses of the Contractor or any of the entities comprising the Contractor or their Affiliated Companies shall be valued as follows:

a) New equipment

New equipment (condition "A") is new equipment that has never been used: one hundred percent (100%) of the current market price, which corresponds to the price that would normally be invoiced under free market conditions between an independent buyer and seller for similar supplies.

b) Equipment in good condition

Used equipment in good condition (condition "B") is equipment in good condition that is still usable for its initial intended purpose, without repairs: seventy-five percent (75%) of the price of new equipment.

c) Other used equipment

Other used equipment (condition "C") is equipment that is still usable for its initial intended purpose, after repair and reconditioning, fifty percent (50%) of the price of new equipment.

d) Equipment in poor condition

Equipment in poor condition (condition "D") is equipment that is no longer usable for its initial intended purpose, but only for other services: twenty-five percent (25%) of the price of new equipment.

e) Scrap and waste

Scrap and waste (condition "E") is equipment that cannot be used or repaired: current price for scrap.

3.5. Materials and equipment transferred by the Contractor

The materials and equipment acquired by all of the entities comprising the Contractor shall be valued based upon the conditions defined in article 3.4 of this Accounting Procedure.

The materials and equipment acquired by any of the entities comprising the Contractor, or by Third Parties, shall be valued based upon sales price obtained, which shall not under any circumstances be less than the price determined according to the conditions defined in article 3.4 of this Accounting Procedure.

The corresponding amounts shall be credited to the Petroleum Costs Account.

Article 4. INVENTORIES

4.1. Frequency
The Contractor shall keep a permanent inventory of quantities and values of all assets used for the Petroleum Operations and, at reasonable intervals, shall carry out physical inventories as required by the Parties in accordance with the Best Industry Practice in the international petroleum industry.

4.2. Notification
A written notification of the intent to take inventory shall be sent by the Contractor at least ninety (90) days before the start of said inventory, so that the Government and the entities comprising the Contractor may be represented, at their expense, during inventory operations.

4.3. Information
In the event that the Government or an entity comprising the Contractor is not represented during an inventory, said Party or Parties shall be bound by the inventory prepared by the Contractor, which shall then provide said Party or Parties with a copy of said inventory in accordance with the Best Industry Practice in the international petroleum industry.

Article 5. FINANCIAL AND ACCOUNTING STATEMENTS
The Contractor shall provide the Government with all reports, records and statements indicated in the provisions of the Agreement and current legislation, and especially the following accounting and financial statements:

5.1. Statement of exploration work obligations
This annual statement shall be submitted within forty five (45) days after the end of each Contractual Year relative to exploration periods.

It shall provide a detailed statement of the work and exploration expenses carried out by the Contractor to perform the obligations set forth in article 4 of this Agreement, specifically excluding appraisal wells and the corresponding Appraisal Expenses as well as Development Expenses, Production Expenses, Overheads in the Republic of Côte d'Ivoire and bonuses.

5.2. Petroleum Costs recovery statement
A quarterly statement shall be submitted within forty five (45) days after the end of each Calendar Quarter. It shall indicate the following items of the Petroleum Costs Account:

a) the amount of Petroleum Costs still to be recovered at the beginning of the Calendar Quarter;

b) the amount of Petroleum Costs relative to the Calendar Quarter in question, recoverable according to the provisions of the Agreement;
c) the quantity and the value of the production of Hydrocarbons taken during the Calendar Quarter by the Contractor to recover Petroleum Costs;
d) the amount of income or proceeds credited pursuant to article 2.4.b) of this Accounting Procedure during the quarter;
e) the amount of Petroleum Costs still to be recovered at the end of the Calendar Quarter.

Furthermore, an annual Petroleum Costs recovery statement shall be submitted before the end of February of each Calendar Year.

5.3. Production Statement
After production begins, a monthly production statement shall be submitted within no more than fifteen (15) days after the end of each month.

For each month, it shall present details of the production of each Field, and especially the quantities of Hydrocarbons:

a) in stock at the beginning of the month;
b) lifted during the month;
c) lost and used for the needs of the Petroleum Operations;
d) in stock at the end of the month.

APPENDIX 3

Attached to and forming an integral part of this Agreement between the Republic of Côte d'Ivoire and the Contractor.

BANK GUARANTEE

This bank guarantee is issued on this (indicate issuance date) …… by the company …… (indicate name of BANK), a joint-stock company with share capital of ……., registered under number……, with registered office in …….., represented herein by Mr ……. ,……..(indicate capacity of signer), hereinafter referred to as the "**Bank**",

WHEREAS

(A) **The company,** a company incorporated under the laws of…, hereinafter referred to as "……," represented herein by **Mr……..,** entered into a Hydrocarbons Production Sharing Agreement relative to block CI-…… (hereinafter referred to as the "**PSA**") with the Government on ……[date]…….

(B) In accordance with article 4.8 of the PSA, the Contractor agrees to provide the Government with a bank guarantee for performance of the minimum exploration work programs as defined in article 4 of the PSA.

(C) The Bank, at the request of the Contractor, agrees to provide this bank guarantee in favour of the Government, for the Guaranteed Amount as defined in article 3 below.

NOW, THEREFORE, the Bank issues this guarantee on the following items:

1. DEFINITIONS AND INTERPRETATION

Unless otherwise expressly defined in this guarantee, the terms contained herein shall be defined in the same manner as in the PSA.
For the purposes of this guarantee, a business day is understood to be any day from Monday through Friday excluding bank holidays in the Republic of Côte d'Ivoire.

2. EFFECTIVE DATE

This bank guarantee shall become effective and valid as of the date of issuance (the "**Effective Date**") and remains in effect until cancellation or termination in accordance with article 4 below.

3. PAYMENT OF THE GUARANTEED AMOUNT

The Bank shall pay the Government the Guaranteed Amount within eight (8) business days following receipt of the following documents:

3.1 Receipt by the Bank of a written request from the Government accompanied by the original written statement sent by an authorised representative of the Contractor to the Government, indicating that the Contractor does not intend to perform or pursue the minimum exploration program defined in accordance with the terms and conditions of the PSA or

3.2 Receipt by the Bank of a written request from the Government accompanied by a copy of the formal notice sent by the Government to the Contractor to remedy its default with regard to the minimum exploration work program as specified in article 4 of the PSA, which has remained without effect for thirty (30) days following receipt of said notice.

"Guaranteed Amount" means (i) an amount equal to US$ ……, or (ii) an amount equal to the balance of this amount as it is reduced in accordance with article 4 of the PSA.

4. CANCELLATION AND/OR TERMINATION OF THE BANK GUARANTEE

4.1. The obligations of the Bank vis-à-vis the Government by virtue of this bank guarantee shall end when one of the following situations occurs:

4.1.1. Receipt by the Bank of a notification from the Government indicating that the Contractor performed the minimum exploration work indicated in the PSA, or

4.1.2. Receipt by the Bank of a written notification from the Government indicating that the Contractor made a payment corresponding to the indemnity indicated in article 4.10 of the PSA.

4.2. This bank guarantee is constituted for the duration of the exploration period, and its initial amount shall be adjusted and shall terminate in accordance with the provisions of article 4.8 of this Agreement.

5. LIABILITY

The liability of the Bank regarding this bank guarantee vis-à-vis the Government is strictly limited to the Guaranteed Amount.

6. NOTIFICATION

All notifications, requests, applications and other communications regarding this bank guarantee shall be made in writing or by fax and sent to the party in question at the address indicated below:

The Bank: [bank coordinates to be completed]
The Government: The Minister of Mines, Petroleum and Energy Fax no.: ... ...
The Contractor: ... ... Fax no.: ... ...

7. APPLICABLE LAW

This guarantee shall be governed and interpreted according to the law of the Republic of Côte d'Ivoire.

8. ARBITRATION

All disputes arising out of the interpretation or application of this guarantee shall be definitively resolved by arbitration in accordance with the provisions of article 32 of this Agreement.

In witness whereof, the Bank issues this guarantee.

Done in Abidjan, on _____

Signature: _____

Name: _____

Capacity: _____

APPENDIX 4

Attached to and forming an integral part of this Agreement between the Republic of Côte d'Ivoire and the Contractor.

PERFORMANCE BOND

Whereas ……., a Company incorporated under the laws of [Country], with registered office in…….., hereinafter referred to as the "**Guarantor**," is the sole shareholder of …….**,** a Company incorporated under the laws of……., with registered office in ……..,, hereinafter referred to as " **the Contractor"**

Whereas the Contractor entered into a Production Sharing Agreement (hereinafter referred to as the "**Agreement**") dated …….. with the Republic of Côte d'Ivoire (hereinafter referred to as the "**Government**"), corresponding to the Delimited Region defined in Appendix 1 to said Agreement;

Whereas the Contractor is bound to its portion of the obligations pursuant to the Agreement vis-à-vis the Government;

THE GUARANTOR AGREES AS FOLLOWS:

The Guarantor hereby acknowledges that it is fully informed of the legal and contractual obligations assumed by the Contractor within the context of this Agreement and guarantees that it shall make available to the Contractor all technical and financial resources, personnel and equipment necessary for the Contractor to fully perform its obligations pursuant to this Agreement , provided that the liability of the Guarantor shall not exceed the lesser of:

a. the Contractor's share of the obligations under the Agreement;
b. One-hundred million US Dollars (US$100,000,000) during the exploration period; and
c. Two-hundred million US Dollars (US$200,000,000) during the exploitation period..

This performance bond shall become effective on the date of its signature and shall remain in force until full discharge of the Contractor's obligations resulting from the Agreement.

Unless agreed otherwise in writing between the Government and the Contractor, this performance bond will not be affected by changes which may be made to the provisions of this Agreement.

No delay by the Government in asserting its rights derived from the Agreement may be interpreted as a waiver of such rights.

Any dispute arising between the Government and the Guarantor resulting from the application or interpretation of this performance bond shall be resolved by arbitration in accordance with the provisions of article 32 of the Agreement.

Executed on this ……..By: **……**

Title: **……..**

Exhibit 10.48

REPUBLIC OF COTE D'IVOIRE

Unity – Discipline - Labour

HYDROCARBONS
PRODUCTION SHARING AGREEMENT

BLOCK CI-708

21 December 2017

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AGREEMENT

BY AND BETWEEN

The Republic of Côte d'Ivoire, hereinafter referred to as the "Government," represented herein by the Minister of Petroleum, Energy and Development of Renewable Energies, **Mr. Thierry TANOH,** the Secretary of State to the Prime Minister in charge of the State Budget and Portfolio, **Mr. Moussa SANOGO**, and the Minister of Economy and Finance, **Mr. Adama KONE** , duly authorised to sign hereunder;

as the first party,

AND

BP Exploration Operating Company Limited], a company incorporated under the laws of England, headquartered at Chertsey Road, **Sunbury-on-Thames, Middlesex, TW16 7LN**, United Kingdom hereinafter referred to as "BP" and represented herein by **Mr. Andrew MCAUSLAN, Head of Business Development;**

KOSMOS ENERGY COTE D'IVOIRE, a company incorporated under the laws of Cayman Islands, headquartered on the 4th floor, Century Yard, Cricket Square, PO Box 32322 George Town, Grand Cayman, KY1, 1209, hereinafter referred to as " **KOSMOS**" and represented herein by **Mr. Brian F. Maxted, Chief Exploration Officer;**

PETROCI HOLDING, the Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire, hereinafter referred to as "**PETROCI**," an Ivoirian company headquartered at Immeuble Les Hévéas, 14, Boulevard CARDE, BP. V194 Abidjan Plateau and represented herein by its President, **Mr. Ibrahima DIABY**;

as the second party,

RECITALS

- In accordance with the provisions of article 2 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, all Fields or natural accumulations of Hydrocarbons in the soil or the subsoil of the Republic of Côte d'Ivoire territory, its territorial waters, its exclusive economic zone and continental shelf, whether or not discovered, are and remain the exclusive property of the State;

- The discovery and production of Hydrocarbons are important for the interests and economic development of the country and its inhabitants;

- In accordance with the provisions of article 5 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, the State may authorise Ivoirian or foreign legal entities to engage in the exploration, production, transport, storage, transformation and sale of

Hydrocarbons, pursuant to a petroleum contract entered into by and between these entities and the State;

- In accordance with the provisions of article 6 of Law No. 96-669 dated 29 August 1996 establishing the Petroleum Code, the State designated PETROCI to participate in the Petroleum Operations under this Agreement;

- The Government hopes to develop and promote the Delimited Region, and the Contractor wishes to cooperate with the Government by helping it explore and develop the potential resources of the Delimited Region and thereby encourage the economic expansion of the country;

- In accordance with Article 1 of Decree No. 2014-248 dated 8 May 2014 which delegated the powers to sign petroleum contracts, the Minister in charge of Petroleum, the Minister of Economy and Finance and the Minister in charge of the Budget have delegated powers to jointly sign the petroleum contracts on the Government's behalf;

- The Contractor states that it has the capital, technical capacity and organizational skills necessary to successfully perform the Petroleum Operations specified below in the Delimited Region;

- The Council of Ministers, in its session held on 20 December 2017, granted its approval for the signing of this Agreement;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1: DEFINITIONS

The terms used herein are defined as follows:

1.1. CALENDAR YEAR means a period of twelve (12) consecutive months beginning on the first (1st) of January and ending on the thirty-first (31st) of December thereafter, according to the Gregorian calendar.

1.2. CONTRACTUAL YEAR means a period of twelve (12) consecutive months beginning on the Effective Date, or the anniversary of said Effective Date.

1.3. FISCAL YEAR means a period of twelve (12) consecutive months beginning on the first (1st) of January and ending on the thirty-first (31) of December thereafter.

1.4. BARREL means "U.S. barrel," i.e., 42 U.S. gallons measured at a temperature of 60° F and at the atmospheric pressure of 14.696 p.s.i.a.

1.5. BUDGET means the quantified estimate, on an item-by-item basis, of the Petroleum Operations appearing in an Annual Work Program.

1.6. CCI has the meaning attributed to it in article 18.5.

1.7. GENERAL TAX CODE means the collection of the legislative and regulatory provisions of the Ivorian tax law which was codified by Law No. 63-524 of 26 December 1963, amended by article 45 of Law No. 2003-206 of 7 July 2003 setting the Finance Law for 2003, and which incorporates each year, after adoption of the Finance Law, the legislative and regulatory provisions affecting Ivorian tax law.

1.8. PETROLEUM CODE means Law No. 96-669 of 29 August 1996, which came into force on 29 August 1996, as amended and in force on the Effective Date.

1.9. COORDINATION COMMITTEE has the meaning attributed to it in article 37.1.

1.10. CONTRACTOR means, collectively or individually, **BP, KOSMOS** and **PETROCI**, as well as any entity to which they may assign an interest pursuant to articles 35.1 and 35.2.

On the Effective Date of this Agreement, the rights and obligations arising from this Agreement between the entities that make up the Contractor shall be based on the following participations:

BP: 45%
KOSMOS: 45%
PETROCI: 10%

1.11. AGREEMENT means this Agreement and the appendices hereto, which are an integral part hereof, as well as any extension, renewal, substitution or modification of this Agreement, decided by mutual agreement between the Parties.

1.12. PETROLEUM COSTS mean all expenses actually borne and paid by the Contractor to perform the Petroleum Operations set forth in this Agreement, determined according to the Accounting Procedure indicated in Appendix 2.

1.13. CPI has the meaning attributed to it in article 16.3.

1.14. EFFECTIVE DATE means the date on which the Agreement becomes effective, as defined in article 38.

1.15. DOLLAR means Dollar of the United States of America.

1.16. FORCE MAJEURE has the meaning attributed to it in article 33.2.

1.17. NATURAL GAS means methane, ethane, propane, butane and gaseous hydrocarbons, either wet or dry, whether or not associated with Crude Oil, as well as all other gaseous products extracted in association with the hydrocarbons, specifically nitrogen, hydrogen sulphide, carbon dioxide, helium and steam.

1.18. ASSOCIATED NATURAL GAS means the Natural Gas existing in a reservoir in solution with the Crude Oil, or in the form of a "gas cap" in contact with the Crude Oil, and which is produced or may be produced in association with the Crude Oil.

1.19. NON-ASSOCIATED NATURAL GAS means natural gas excluding Associated Natural Gas.

1.20. FIELD means an accumulation of Hydrocarbons, in one or more superimposed horizons that has been properly evaluated in accordance with the provisions of article 11.

1.21. HYDROCARBONS mean Crude Oil and Natural Gas.

1.22. TAXES AND/OR CHARGES means all compulsory, definitive and unrequited pecuniary payments required by the State or its branches from any individual or corporate person as a result of the exercise in the Republic of Côte d'Ivoire of an activity, the possession of property, capital, the performance of an act or use of a service, and includes any penalties that may be attached to such payments.
Duties and taxes include, but are not limited to, income taxes, taxes on industrial and commercial profits (Bénéfices Industriels et Commerciaux, or BIC), taxes on non-commercial profits (Bénéfices Non Commerciaux, or BNC), taxes on agricultural profits (Bénéfices Agricoles, or BA), General Income Tax (Impôt Général sur le Revenu, or IGR), Value Added Tax (Taxe sur la Valeur Ajoutée, or VAT), the tax on banking transactions, excise duties, property tax (tax on property and on income derived from property), the business license tax (Contribution des patentes), taxes on wages and salaries, and the various related levies made at source related thereto, registration and stamp duties, royalties, customs duties or taxes, and any other similar compulsory levies.

1.23. OPERATOR has the meaning attributed to it in article 2.8.

1.24. PETROLEUM OPERATIONS means all exploration, appraisal, development, production, abandonment, transport, processing (with the exception of refining) and marketing

of Hydrocarbons and, in general, any other operations directly related thereto, that are performed within the context of this Agreement.

1.25. ADDITIONAL PARTICIPATION has the meaning attributed to it in article 22.2.a).

1.26. INITIAL PARTICIPATION has the meaning attributed to it in article 22.1.

1.27. PARTIES means the Government and the Contractor; and **PARTY** means the Government, the Contractor, or any of the entities that make up the Contractor**.**

1.28. **APPRAISAL PERIMETER** means any portion of the Delimited Region where one of the Hydrocarbons discoveries has been made the size of which shall be evaluated, for which the Government has granted the Contractor an exclusive appraisal permit in accordance with the provisions of article 11.3.

1.29. **PRODUCTION PERIMETER** means any portion of the Delimited Region for which the Government has granted the Contractor an exclusive production permit in accordance with the provisions of article 12.

1.30. **CRUDE OIL** means crude mineral oil, asphalt, ozokerite and all sorts of Hydrocarbons and bitumens, either solid or liquid, in their natural state or obtained from Natural Gas by condensation or extraction, including condensate and liquid Natural Gas.

1.31. **CUBIC FOOT** means the quantity of Natural Gas contained in a volume of one (1) cubic foot measured at a temperature of 60° F and at an atmospheric pressure of 14.696 p.s.i.a.

1.32. **ABANDONMENT PLAN** has the meaning attributed to it in article 20.7.

1.33 POINT OF DELIVERY OF NATURAL GAS means a point of transfer agreed upon by the Parties at the time the development and production plan is submitted.

1.34 POINT OF DELIVERY OF CRUDE OIL means the F.O.B. point of connection between the loading facilities and the vessel loading the Crude Oil produced pursuant to this Agreement in the Republic of Côte d'Ivoire, or any other transfer point established by mutual agreement of the Parties.

1.35 MARKET PRICE has the meaning attributed to it in article 18.1.

1.36 REMAINING PRODUCTION has the meaning attributed to it in articles 16.3 and 21.3 applicable to Crude Oil and Natural Gas respectively.

1.37. **TOTAL PRODUCTION** means the Total Production of Natural Gas and the Total Production of Crude Oil.

1.38 TOTAL PRODUCTION OF NATURAL GAS means the total Natural Gas production from the Delimited Region as a whole less the quantities used for the needs of Petroleum Operations, unavoidable losses and, subject to the provisions of article 21.2.3, the quantities of Natural Gas that were burned.

1.39 TOTAL PRODUCTION OF CRUDE OIL means the total Crude Oil production obtained from the Delimited Region as a whole less the quantities used for the needs of Petroleum Operations and unavoidable losses.

1.40 DAILY TOTAL PRODUCTION OF NATURAL GAS has the meaning attributed to it in article 21.3.

1.41 DAILY TOTAL PRODUCTION OF CRUDE OIL has the meaning attributed to it in article 16.3.

1.42 ANNUAL WORK PROGRAM means the descriptive itemized document of the Petroleum Operations to be performed during a Calendar Year in the Delimited Region, and if applicable in each Production Perimeter, established in accordance with the provisions of articles 4 and 5.

1.43 BEST INDUSTRY PRACTICE means the good and prudent practices of the petroleum industry including in matters of, but is not limited to, preservation of the environment, of engineering, of well conservation and exploitation principles; of hygiene, of health, and of general safety used in the international petroleum industry under similar circumstances.

1.44. DELIMITED REGION means the area indicated in article 2.7 to which the Government, within the context of this Agreement, grants the Contractor exclusive exploration rights.

The areas relinquished by the Contractor in accordance with the provisions of articles 3.5 and 3.6 shall be considered as no longer a part of the Delimited Region which shall then be reduced accordingly. On the other hand, the Production Perimeter(s) and the Appraisal Perimeter(s) shall be an integral part of the Delimited Region during the term of validity of the corresponding exclusive production permit and the exclusive appraisal permit(s).

1.45. **AFFILIATED COMPANY** means:

- a company or any other entity that controls or is controlled, directly or indirectly, by any entity comprising the Contractor;
- or a company or any other entity that controls or is controlled, directly or indirectly, by a company or entity that itself directly or indirectly controls any entity comprising the Contractor.

Such "**control**" means direct or indirect ownership by a company or any other entity of more than fifty percent (50%) of the voting shares of capital stock of another company.

1.46. THIRD PARTY means any individual or legal entity, other than the Contractor, the State and the Government that is not within the context of the preceding definition at article 1.45.

1.47. CALENDAR QUARTER means a period of three (3) consecutive months beginning on the first day of January, April, July or October during a Calendar Year.

<u>ARTICLE 2:</u> SCOPE OF APPLICATION OF THE AGREEMENT

2.1. This Agreement is a Production Sharing Agreement governed by the provisions hereunder.

2.2. The Government authorises the Contractor, under the conditions set forth herein, to exclusively perform all of the Petroleum Operations that are appropriate and necessary within the context of this Agreement.

2.3. The Contractor undertakes to carry out all of the work necessary for performing the Petroleum Operations set forth in this Agreement, in accordance with Best Industry Practice, and to be subject to the laws and regulations in effect in the Republic of Côte d'Ivoire unless otherwise provided by the Agreement.
2.4. The Contractor shall provide all financial and technical means necessary for the proper development of the Petroleum Operations in accordance with the Best Industry Practice.

2.5. The Contractor shall solely assume the financial risk related to performing the Petroleum Operations. The related Petroleum Costs shall be recoverable by the Contractor in accordance with the provisions of article 16 and 21.

2.6. In the event of production, the Total Production resulting from the Petroleum Operations, during the period of validity of this Agreement, shall be shared between the Parties under the conditions defined in articles 16 and 21.

2.7. As of the Effective Date, the Delimited Region corresponds to the zone defined in Appendix 1.

2.8. As of the Effective Date the Government approves the appointment of:
- KOSMOS as operator ("**Operator**") in charge of directing and performing the Petroleum Operations in the name and on behalf of the Contractor from the Effective Date;
- BP as Operator in charge of directing and performing the Petroleum Operations in the name and on behalf of the Contractor from the first discovery of Hydrocarbons as notified in Article 11.1.

Any change in Operator shall be submitted to the Government in advance for approval.

The Operator, in the name and on behalf of the Contractor, shall send the Government all reports, information and data stipulated under this Agreement, and especially including the association agreement and all agreements relevant to the Petroleum Operations, as applicable, binding the entities comprising the Contractor.

ARTICLE 3: DURATION OF EXPLORATION PERIODS AND RELINQUISHED AREAS

3.1. The exclusive exploration permit is hereby granted to the Contractor for an initial exploration period of three (3) Contractual Years, for the entire Delimited Region, extended, if applicable, in accordance with the provisions of article 3.4.

3.2. If the Contractor, upon expiry of the initial exploration period indicated above, conditional on having met the exploration work commitments as defined in article 4.2, so requests, a second exploration period shall be authorised for three (3) Contractual Years from the expiration date of the first exploration period, extended, if applicable, in accordance with the provisions of article 3.4.

3.3. If the Contractor so requests, upon expiration of this second exploration period, conditional on having met the exploration work commitments as defined in article 4.3, so requests, a third exploration period shall be authorised for three (3) Contractual Years from the expiration date of the extended second exploration period, extended, if applicable, in accordance with the provisions of article 3.4.

3.4. The requests indicated in articles 3.2 and 3.3 shall be made at least sixty (60) days before expiration of the current exploration period.
If the expiration date of an exploration period occurs while the drilling of an exploration well or the production tests in an exploration well are being performed, or temporary or definitive work to abandon an exploration well is in progress, said exploration period shall be extended for the time necessary for the completion and well testing or abandonment work, provided that said extension does not exceed ninety (90) days. The Contractor shall notify the Government of said extension within seven (7) days prior to the normal expiration date of the current exploration period.

3.5. The Contractor shall have to relinquish at least the following areas:

a) twenty-five percent (25%) of the initial area of the Delimited Region upon expiration of the first exploration period; and
b) twenty-five percent (25%) of the initial area of the Delimited Region upon expiration of the second exploration period.

The area shall be relinquished in a simple geometric shape, i.e. an area of no more than 15 lines, bounded by the North/South, East/West lines or by the initial limits of the Delimited Region.
The area corresponding to any Production Perimeter or Appraisal Perimeter shall be deducted from the initial area of the Delimited Region before calculating the relinquished areas.
The areas previously abandoned, in accordance with the provisions of article 3.6, shall be deducted from the areas to be relinquished.

Subject to compliance by the Contractor with the foregoing requirements, the Contractor may freely select the zone within the Delimited Region to be relinquished.

The Contractor agrees to provide the Government with an accurate description and a map showing details of the areas relinquished and the areas retained as well as a report specifying the Petroleum Operations performed since the Effective Date on the relinquished areas and the results obtained.
The geometric shape and continuity of the relinquished areas are subject to approval by the Government.
The obligations indicated in article 8 of this Agreement shall be performed in their entirety for the relinquished areas.

3.6. During an exploration period, the Contractor, subject to sixty (60) days advance notice, may at any time notify the Government that it waives, in all or part of the Delimited Region, the rights conferred to it by this Agreement.

In the event of a partial waiver, the provisions of article 3.5 regarding relinquished areas shall be applicable.

No waiver during or after an exploration period shall reduce the work commitments and investment obligations indicated in article 4 for the ongoing exploration period.

In the event of a waiver, the Contractor shall have the exclusive right to retain, for the respective term of validity, the areas of the Appraisal Perimeters and Production Perimeters that were granted.

With respect to applications for Appraisal or Production Perimeters that were filed before the effective date of waiver, the Contractor shall also have the exclusive right to retain the corresponding areas if these subsequently give rise to the granting of an Appraisal Perimeter or of a Production Perimeter under the terms of this Agreement, and to carry out the Petroleum Operations.

3.7. At the end of the third exploration period defined in article 3.3., the Contractor shall abandon all of the remaining area of the Delimited Region, with the exception of the Appraisal Perimeters and the Production Perimeters granted as of said date or previously, or for which an authorisation request was filed if the same subsequently resulted in the granting of an Appraisal Perimeter or a Production Perimeter according to the conditions of this Agreement.

3.8. If, upon expiration of all of the exploration periods, the Contractor has not obtained an exclusive appraisal permit or an exclusive production permit, this Agreement shall end. Regardless of the above, if, before this date, an application for an exclusive appraisal permit or exclusive production permit has been filed, the Agreement will remain in force in the perimeter to which the exclusive appraisal permit or exclusive production permit relates until the Government decides on the Contractor's request.

If the Government rejects the application for an exclusive appraisal or exclusive production permit, this Agreement will terminate. If an exclusive appraisal permit or an exclusive production permit is granted, this Agreement will remain in force for the granted Appraisal Perimeters or Production Perimeters.

3.9. The expiration of this Agreement, or its termination for any reason whatsoever, shall not end the obligations of the Contractor in relation to the Agreement that were created before or at the time of said expiration or termination.

ARTICLE 4: EXPLORATION WORK COMMITMENTS

4.1. The Contractor shall begin the geological and geophysical work provided for in article 4.2 below, within three (3) months from the Effective Date.

4.2. During the first exploration period defined in article 3.1, the Contractor shall perform at least the following work in the Delimited Region:

- Acquisition, processing and interpretation of new 3D seismic covering a minimum of one thousand four hundred km² (1,400 km²).

4.3. During the second exploration period defined in article 3.2, the Contractor shall perform at least the following work in the Delimited Region:

- Geological, geophysical (G&G) and engineering studies;
- One (1) exploration well, firm.

4.4. During the third exploration period defined in article 3.3., the Contractor shall perform at least the following work in the Delimited Region:

- Geological, geophysical (G&G) and engineering studies;
- One (1) exploration well, firm.

4.5. Each of the exploration wells provided for in articles 4.3 and 4.4 shall reach the lesser of either:
- at least one hundred (100) meters into the Albian; or
- at least two-thousand five hundred metres (2,500), minimum depth, below the mud-line

In all cases, the exploration well can be stopped at a lesser depth if:

a) the base is at a depth that is less than the minimum contractual depth;

b) drilling the well presents an obvious danger;

c) rocky formations are found, the hardness of which does not allow, in practice, the well to be drilled, or

d) petroleum formations are found that, in order to be crossed, require casings to be installed for their protection, that do not allow for the minimum contractual depth to be reached.

If any of the reasons listed above exists, the exploration well shall be considered to have been drilled to the minimum contractual depth.

Notwithstanding any provision to the contrary in this Agreement, for the purposes of this article 4, exploratory drilling shall be any drilling executed in the Delimited Region outside any Appraisal Perimeter or any Production Perimeter existing on the date on which the drilling operations begin.

The wellbores drilled within the context of an exclusive appraisal permit shall not be considered as exploration wells and shall be governed by the provisions of article 11.

4.6. In order to perform the exploration work defined in articles 4.2 to 4.4 under the Best Industry Practice, the Contractor agrees to invest at least the following amounts:

a) Three million Dollars (US $3,000,000) during the first exploration period defined in article 3.1;

b) Eighteen million Dollars (US $ 18,000,000) during the second exploration period defined in article 3.2;

c) Eighteen million Dollars (US $ 18,000,000) during the third exploration period defined in article 3.3.

Notwithstanding the foregoing, if the Contractor, in an exploration period, has performed its work commitments for an amount less than that indicated above, it shall be considered as having performed its investment obligations for said period. On the other hand, the Contractor shall perform all of the work commitments specified for a given exploration period even if it requires an investment greater than that specified above for said period.

4.7. In the event that the Contractor, during a given exploration period, drills one or more additional exploration wells, this or these additional exploration wells may be carried forward to the period immediately thereafter if an application is filed by the Contractor at the time of renewal of said exploration period as specified in articles 3.2 and 3.3 above. This request, which will not be refused without reasonable grounds, must be accompanied by the work program that it agrees to perform during the exploration period subject to the carried forward, and shall indicate the estimated and related costs.

4.8. Each entity constituting the Contractor, except PETROCI, shall provide the Government with irrevocable bank guarantees that are acceptable to the Government, corresponding to the investments stipulated in article 4.6 proportionally to their participation and to their obligation to contribute to the Initial Participation of PETROCI, covering the performance of the minimum exploration work programs indicated in articles 4.2, 4.3 and 4.4, as follows:

a) Within no more than thirty (30) days after the Effective Date, the Contractor shall provide a bank guarantee in the amount of three million Dollars (US$ 3,000,000) to guarantee performance of the minimum exploration work program for the first exploration period in accordance with article 4.2.

The amount of the bank guarantee shall be reduced by:

- fifty percent (50%) of the original amount, i.e., one million five hundred Dollars (US $1,500,000) following delivery by the Operator to the Government of a copy of the contract for seismic data acquisition;
- twenty-five percent (25%) of the original amount, i.e. seven hundred fifty thousand Dollars (US $750,000) following the start of said acquisition work;
- twenty-five percent (25%)of the original amount, i.e. seven hundred fifty thousand Dollars (US $750,000) following completion of said acquisition work and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the first exploration period.

b) As of the start date of the second exploration period, the Contractor shall provide a bank guarantee for an amount of eighteen million Dollars (US $ 18,000,000) to guarantee performance of the minimum exploration work program indicated in article 4.3. The amount of the bank guarantee, adjusted to reflect the exploration wells drilled in advance during the previous exploration period and carried forward to the next exploration period in accordance with article 4.7, will be reduced by:

- fifty percent (50%) of the original amount, i.e., nine million Dollars (US $9,000,000) following delivery by the Operator to the Government of a copy of the contract for drilling;
- twenty-five percent (25%) of the original amount; i.e., four million and five hundred thousand Dollars (US $4,500,000) following the start of said drilling works;
- twenty-five percent (25%)of the original amount; i.e. four million and five hundred thousand Dollars (US $4,500,000) following completion of the drilling works and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the

second period and, approved by the Government in accordance with this Agreement.

c) As of the start date of the third exploration period, the Contractor shall provide a bank guarantee for an amount of eighteen million Dollars (US$18,000,000) to guarantee performance of the minimum exploration work program indicated in article 4.4. The amount of the bank guarantee, adjusted to reflect the exploration wells drilled in advance during the previous exploration period and carried forward to the next exploration period in accordance with article 4.7, will be reduced by:

- fifty percent (50%) of the original amount, i.e., nine million Dollars (US $9,000,000) following delivery by the Operator to the Government of a copy of the contract for drilling;
- twenty-five percent (25%) of the original amount, i.e., four million and five hundred thousand Dollars (US $4,500,000) following the start of said drilling works;
- twenty-five percent (25%) of the original amount, i.e. four million and five hundred thousand Dollars (US $4,500,000) following completion of the drilling works and after the Operator sends the Government all reports and documents derived from performance of the minimum exploration work program for the third period and, approved by the Government in accordance with this Agreement.

The above bank guarantees shall be issued in terms that are comparable to the bank guarantee in Appendix 3 in accordance with the issuing bank and the Government's acceptance decision shall be made no later than ten (10) days from the date the bank guarantee was submitted by the Contractor. After this period has passed, the bank guarantee will be deemed to have been accepted.

4.9. The Operator shall notify the Government of the completion of the exploration work in the minimum exploration work program for a given exploration period. If the bank guarantee shall be released in accordance with article 4.8, within fifteen (15) days following notification by the Operator, the Government shall notify the bank of the release of the bank guarantee in the necessary amount or shall notify the Operator of its challenge relative to completion of the minimum exploration work program. The bank guarantee shall be released in accordance with the terms of article 4.8, unless a payment is due pursuant to article 4.10, in which case the bank guarantee shall be released once this payment is made.

4.10. If, for any reason except for a case of Force Majeure, the Contractor does not complete the minimum work program for a given exploration period under articles 4.2, 4.3 and 4.4, the Contractor shall pay an indemnity equal to the amount of the bank guarantee as reduced in accordance with Article 4.8 and this amount will be paid by the bank which issued the bank guarantee, under the terms and within the time periods stated in the bank guarantee given for each exploration period. Once payment has been made, this Agreement will terminate and the Contractor will be released from any work commitments.

ARTICLE 5: PREPARATION AND APPROVAL OF THE ANNUAL WORK PROGRAMS AND BUDGETS

5.1. At least two (2) months before the start of each Calendar Year, or for the first year no later than two (2) months after the Effective Date, the Contractor shall prepare and submit to the Government, for approval, an Annual Work Program as well as the corresponding Budget, for the entire Delimited Region, specifying the Petroleum Operations and the cost thereof that the Contractor proposes to perform during the Calendar Year in question, or the portion of the Calendar Year in question if an exploration period ends prior to the end of said Calendar Year. In the event of renewal of the exclusive exploration permit, the Contractor shall submit, within thirty (30) days following expiration of the previous exploration period, an Annual Work Program as well as the corresponding Budget for the first Calendar Year or the portion of the first Calendar Year of the next exploration period.

5.2. If the Government wants to propose revisions or modifications to the Petroleum Operations indicated in said Annual Work Program, within thirty (30) days following receipt of said program, it shall notify the Contractor of its intent to revise or modify it, presenting all justifications deemed appropriate. In this case, the Government and the Contractor shall meet to study and agree within fifteen (15) days thereafter the revisions or modifications requested and establish, by mutual agreement, the Annual Work Program and the corresponding Budget in the definitive form, according to the Best Industry Practice in the international petroleum industry. Nevertheless, during the exploration period, the Annual Exploration Work Program and the corresponding Budget prepared by the Contractor after the meeting indicated above shall be considered to be approved insofar as they satisfy the obligations established in article 4.

Each portion of the Annual Work Program and the Budget for which the Government has not requested a revision or modification within thirty (30) days as indicated above shall be performed by the Contractor within the specified time period, subject to article 5.3.

If the Government fails to notify the Contractor of its intended revision or modification within thirty (30) days as indicated above, the Annual Work Program and the corresponding Budget submitted by the Contractor shall be considered to be approved by the Government.

5.3. The Government and the Contractor acknowledge that the knowledge obtained as the work is performed or special circumstances may justify certain changes to certain details of the Annual Work Program. In this case, after notifying the Government, the Contractor may make these changes, provided that the fundamental objectives of said Annual Work Program are not modified.

ARTICLE 6: OBLIGATIONS OF THE CONTRACTOR REGARDING THE EXPLORATION PERIODS

6.1. The Contractor is responsible for the Petroleum Operations and consequently shall provide the following for performing these operations:

- all necessary funds,
- all required machinery, equipment and materials,
- all technical support, including the necessary personnel, subject to the provisions of article 30.

6.2. The Contractor is responsible for the preparation and performance of the Annual Work Programs, which it shall perform according to the Best Industry Practice in the international petroleum industry.

6.3. The Contractor shall take all reasonable and practical measures to:

a) ensure the protection of aquifers encountered during the course of its work;

b) perform the tests necessary to determine the value of significant shows encountered during drilling and the commercial nature of discoveries of any Hydrocarbons;

c) prevent losses and discarding of Hydrocarbons produced and losses and discarding of oil-based mud or any other product used in the Petroleum Operations according to Best Industry Practice in the international petroleum industry.

6.4. All of the work and facilities established by the Contractor by virtue of this Agreement, according to their nature and circumstances, shall be constructed, installed, placed, indicated, beaconed, signalled, equipped and maintained so as to permanently allow safe passage for navigation in the Delimited Region, and notwithstanding the foregoing, the Contractor, in order to facilitate navigation, shall install audio and visual equipment approved or required by the appropriate authorities notified to the Contractor by the Government, and maintain them to the complete satisfaction of said authorities in accordance with the law in force in the Republic of Côte d'Ivoire.

6.5. In exercising its right to construct, perform work and maintain all facilities necessary for purposes of this Agreement, the Contractor may not disturb any public place such as cemeteries, religious buildings, government buildings or those used for a public utility, without the prior consent of the Government, and shall pay the indemnities dues for any damage it causes in accordance with article 29.

6.6. The Contractor, during the Petroleum Operations, shall take all measures necessary to preserve the environment and comply with Best Industry Practice in the international petroleum industry and international conventions (and their amendments) to which the Government is a party relative to ocean water pollution by Hydrocarbons.

In order to prevent pollution, the Government, after consulting with the Contractor, may decide to take any additional measures it deems necessary to ensure preservation of the environment in accordance with the laws in force in the Republic of Côte d'Ivoire and international conventions on the environment to which the Government is a party.

6.7. The Contractor and its subcontractors shall have the obligation to give preference to Ivoirian services and products, under equivalent conditions in terms of price, quality, capacity, safety, environmental performance, term of delivery and term of payment. Ivoirian services and products mean the services produced or goods produced or supplied by a company that is registered in the Republic of Côte d'Ivoire.

Unless otherwise agreed by the Government, the Contractor and its subcontracts agree to call for bids from Ivoirian and foreign bidders for supply, construction or service contracts for an estimated amount greater than five hundred thousand Dollars (US $500,000) per contract in the exploration period, and one million Dollars (US $1,000,000) per contract in the production period, with the understanding that the Contractor shall not unnecessarily divide these contracts.

Copies of all contracts related to the Petroleum Operations shall be submitted to the Government as soon as possible after the time of signature.

6.8. The Contractor agrees to give preference, under equivalent economic conditions, to purchasing goods necessary for the Petroleum Operations instead of renting or otherwise leasing them.

For this purpose, all lease agreements for an estimated amount greater than five hundred thousand Dollars (US $500,000) shall be indicated by the Contractor in the Annual Work Programs.

ARTICLE 7: RIGHTS OF THE CONTRACTOR RELATING TO EXPLORATION PERIODS

7.1. Notwithstanding the provisions of this Agreement, the Contractor shall be entitled:

- **a)** to manage and control, under its entire responsibility, the Petroleum Operations in the Delimited Region;
- **b)** to access any location within the interior of the Delimited Region in order to perform the Petroleum Operations;
- **c)** to perform all acts, facilities, work, and operations necessary to perform the Petroleum Operations both inside and outside of the Delimited Region. The Contractor may choose the location of the facilities during the exploration periods in accordance with the regulations in force in the Republic of Côte d'Ivoire at such a location subject to (i) approval by the Government, which shall not be refused without a valid reason and (ii) conditions of article 2.3 and articles 6.4 to 6.6; and
- **d)** to exercise the rights conferred hereunder, through agents and independent contractors, and consequently to pay all of the related fees and expenses in the currency of choice of the Contractor, in accordance with the provisions of article 23.

7.2. The agents, employees and representatives of the Contractor or its independent subcontractors, for the purposes of the Petroleum Operations, may freely enter or exit the Delimited Region and access all facilities established by the Contractor.

7.3. The Contractor shall be entitled, by paying royalties in effect in the Republic of Côte d'Ivoire, to remove and use soil from under standing timber forests, sand, clay, lime, gypsum, stone and other similar substances necessary for performing the Petroleum Operations.

The Contractor, after reaching an agreement with the Government, may reasonably use these materials to perform the Petroleum Operations, free of charge, when they are located on land owned by the Government and placed near the land where the Petroleum Operations are being performed.

The Contractor, without making any payment, may take or use the water needed for the Petroleum Operations, provided that existing irrigation or navigation is not disturbed and that the land, homes or livestock watering places are not deprived from a reasonable quantity of water.

ARTICLE 8: ACTIVITY REPORTS DURING EXPLORATION PERIODS AND SURVEILLANCE OF PETROLEUM OPERATIONS

8.1. Subject to the provisions of article 8.4 below, the Government shall own and freely dispose of all original data and all final technical documents related to the Petroleum Operations, including but not limited to records, samples, geological, geophysical, petrophysical, drilling and production reports.

8.2. The Contractor agrees to provide the Government with the following periodical reports:

a) daily reports on the drilling activities;

b) weekly reports on geophysical activities;

c) within thirty (30) days following each Calendar Quarter, a report on the Petroleum Operations performed, as well as a detailed statement of Petroleum Costs for the previous Calendar Quarter;

d) before the end of February of each Calendar Year, an annual report on the Petroleum Operations performed, as well as a detailed statement of the Petroleum Costs for the previous Calendar Year.

8.3. Furthermore, the following reports or documents shall be provided to the Government, when they are prepared or obtained:

a) a copy of the geological study and summary reports as well as the related maps;

b) a copy of the geophysical surveys, reports on measurements, studies and geophysical interpretation, maps, profiles, sections or other related documents, and, upon the request of the Government, the original or an official copy of the recorded seismic magnetic tapes;

c) a copy of the installation and test bore completion reports for each wellbore, as well as a full set of recorded logs;

d) a copy of the test reports or production test reports as well as any study related to the bringing of a well on-stream or into production;

e) a copy of reports related to analyses performed on core bores and fluid analysis.

All maps, sections, profiles, logs and other geophysical documents shall be provided on transparent media suitable for subsequent reproduction.

A representative portion of core bores and drilling cuttings taken from each well and samples of fluids produced during the tests or production tests shall also be provided to the Government within a reasonable time period, and no later than sixty (60) days after the closure of the wells.

Upon expiration, or in the event of waiver or termination of this Agreement, the original final technical documents and samples related to the Petroleum Operations, including magnetic tapes, if so requested, shall be sent to the Government.

After having previously advised the Contractor, the Government may at any reasonable moment, during normal working hours and in accordance with the current security regulations, access the

Contractor's files related to the Petroleum Operations, at least one copy of which shall be retained in the Republic of Côte d'Ivoire.

8.4. The Parties agree to treat as confidential and not disclose to third parties any or all of the documents and samples related to the Petroleum Operations, during all exploration periods, as defined in article 3, during all appraisal periods, during all production periods, and in the event of the waiver of one zone, until the date of said waiver with respect to the documents and samples referring to the abandoned zone.

Nevertheless, the Government and each entity comprising the Contractor may at any time authorise access to these documents and samples by third parties of their choice. These may examine the documents and samples related to the Petroleum Operations and shall agree to treat them as confidential.

Notwithstanding the above, each entity comprising the Contractor can freely disclose the confidential data and information:

i. to any company interested in good faith in a potential assignment/acquisition or in an assistance in respect of the Petroleum Operations, after obtaining from this company, a commitment to keep such data and information confidential and to use them for the sole purpose of the aforesaid assignment or assistance;
ii. to any Affiliated Company of an entity comprising the Contractor, as well as to any external professional advisor, taking part in the Petroleum Operations, after obtaining a similar confidentiality commitment from the latter;
iii. to any bank or financial institution from which the Contractor seeks or obtains financing, after obtaining a similar confidentiality commitment from such institution;
iv. when and to the extent that the regulations of a recognized stock exchange or of a supervising or auditing administrative authority require it from one of the entities comprising the Contractor or one of its Affiliated Companies;
v. in the context of any judiciary, administrative or arbitral litigation procedure or if required by applicable law.

If it so deems necessary, the Government may decide to extend the period of confidentiality indicated in this article 8.4.

8.5. The Contractor shall keep the Government informed of its activities. In particular, the Contractor shall notify the Government as soon as possible, and at least fifteen (15) days in advance, of all Petroleum Operations forecast for the Delimited Region, such as geological campaigns, seismic campaigns, commencement of drilling, platform installation and any other important operation mentioned within the approved Annual Works Program.

In the event that the Contractor decides to abandon a wellbore, it shall so notify the Government within at least forty-eight (48) hours in advance of the abandonment.

8.6. One or more duly authorised representatives of the Government may, during normal business hours, after notice to the Operator, monitor the Petroleum Operations and, at reasonable intervals, inspect the work, facilities, equipment, materials, records and books related to the Petroleum Operations, provided that it does not cause a delay that may be detrimental to proper development of such operations. This representative specifically shall be entitled to be present during the

testing and abandonment of any well. It is understood that the notice will be given to the Operator sufficiently in advance to allow compliance with the Operator's rules in relation to security, health and safety rules, and to avoid any interference, obstruction or undue delay in the carrying out of the Petroleum Operations.

In order to allow the above-mentioned rights to be exercised, the Contractor shall provide the representatives of Government with reasonable assistance, especially with regard to insurance cover, means of transport, lodging, and duly justified assignment expenses, provided such does not violate any law applicable to a Party.

8.7. The Contractor shall inform the Government as soon as possible of any discovery of mineral substances within the Delimited Region.

ARTICLE 9: LAND OCCUPANCY

9.1. The Government, without monetary consideration, shall make available to the Contractor, solely for the needs of the Petroleum Operations, the land it owns that is necessary for said Operations. The Contractor may build and maintain, above and below that land, the facilities necessary for the Petroleum Operations.

The Contractor may not request the use of such land if it actually does not need it, and it shall refrain from claiming any land occupied by buildings or properties used by the Government. It is understood that the land belonging to public institutions or agencies under State control are not considered to be Government land.

The Contractor shall compensate the Government for any damage to land caused by the construction, use and maintenance of its facilities on said land. This indemnity will make up the recoverable Petroleum Costs.

The Government shall authorise the Contractor to construct, use and maintain a telephone, telegraph and piping system, above or below ground and throughout the land not owned by the Government, without claiming any compensation, provided that the Contractor causes the least damage possible to this land and in exchange pays the owners of this land reasonable compensation established by mutual agreement.

9.2. The rights to land owned by individuals necessary to perform the Petroleum Operations shall be acquired by a direct agreement between the Contractor and the individual in accordance with current legislation in the Republic of Côte d'Ivoire. In the event of disagreement, the Contractor may seek recourse through the Government, which will use eminent domain expropriation for public utility purposes, at the expense of the Contractor. In establishing the value of these rights, its intended purpose by the Contractor shall not be taken into consideration, and the Government agrees that no law or proceedings for said acquisition shall play a role in assigning an excessive value nor a confiscation value. These rights acquired by the Government shall be recorded in its name, but the Contractor may use them for the needs of the Petroleum Operations, free of charge, throughout the duration of this Agreement. The Government warrants that the Contractor shall be protected with respect to the use and occupancy of this land as if it had title to the property.

ARTICLE 10: USE OF THE FACILITIES

10.1. For the needs of the Petroleum Operations, the Contractor shall be entitled to use, under general law conditions in the Republic of Côte d'Ivoire, any railroad, road, airport, runway, canal, river, bridge, body of water and telephone or telegraph network in the Republic of Côte d'Ivoire, whether owned by the Government or any private business, by means of paying royalties in accordance with the laws that apply in the Republic of Côte d'Ivoire or those that are fixed by agreement but which will not be higher than the prices and tariffs provided to Third Parties for similar services.

Subject to approval by the Government, the Contractor shall also be entitled to use, at its own expense and risk, in accordance with the laws and regulations that apply in the Republic of Côte d'Ivoire and in accordance with the Best Practice of the international petroleum industry, the additions and changes to the facilities that are already in existence for the transport, the treatment or the storage of the Hydrocarbons, provided that such a right does not fetter the rights of Third Parties and does not cause them prejudice and that the additions and changes are necessary for the profitable exploration of the Hydrocarbons coming from the Delimited Region.

The Contractor will also be entitled, for the needs of the Petroleum Operations, to use all overland, ocean or air transportation resources for transporting its employees or equipment, provided that it complies with the laws and regulations that apply in the Republic of Côte d'Ivoire in using these means of transport.

10.2. The Government shall have the right to use any means of transport and communication put in place by the Contractor, through the payment of fair compensation to be fixed by mutual agreement, but which shall not be higher than the prices and rates granted to Third Parties for similar services, provided that, in the opinion of the Contractor, this use by the Government does not hinder the Petroleum Operations nor prejudice them.

Under the same conditions, in the event of national need, specifically national catastrophes, cataclysmic events, domestic or foreign perils, the Contractor shall make its resources available to the Government at its request.

10.3. This Agreement shall in no way limit the Government's right to build, operate and maintain on, under and throughout land made available to the Contractor for the needs of the Petroleum Operations, roads, railroads, airports, runways, canals, bridges, flood control projects, police stations, military facilities, pipelines, telegraph and telephone lines, provided that this right is not exercised in such a way as to jeopardise or hinder the rights of the Contractor pursuant to this Agreement, or the Petroleum Operations, or is detrimental to them, except in the case of national need.

Likewise, the Government may authorise persons to construct, operate and maintain the facilities in the Delimited Region provided that this right does not compromise or hinder the rights of the Contractor pursuant to this Agreement or the Petroleum Operations, or is not detrimental to them, except in the case of national need.

<u>ARTICLE 11:</u> APPRAISAL OF A HYDROCARBONS DISCOVERY

11.1. In the event that the Contractor discovers Hydrocarbon shows in the interior of the Delimited Region, it must notify the Government as soon as possible and submit, within thirty (30) days following the date of provisional shutting in or abandonment of the discovery well, a report providing all information relative to said discovery.

11.2. If the Contractor wants to perform the appraisal work for the Hydrocarbons discovery indicated in article 11.1 above, it shall submit to the Government for approval, within twelve (12) months following the date of notification of said discovery, a permit application for the duration of said works and the corresponding estimated Budget, as well as a map establishing the boundaries of the Appraisal Perimeter, for examination and approval by the Government.

The provisions of articles 5.2 and 5.3 shall apply, *mutatis mutandis*, to said appraisal program with regard to approval and performance, with the understanding that the submitted program cannot be rejected or modified by the Government if it complies with the Best Industry Practice in the international petroleum industry.

Notwithstanding any provisions to the contrary in this Agreement, the term for notification defined in articles 11.1 and 11.2 shall apply even in the event of expiration of an exploration period. The Government and the Contractor shall agree on the provisional Appraisal Perimeter that shall remain valid while the Contractor submits the application indicated in article 11.2 until expiration of the period indicated in the first section of article 11.2.

11.3. If the Contractor meets the conditions indicated in article 11.2, the Government shall grant it an exclusive appraisal permit for a term of four (4) years from the date of approval of the appraisal work program and the corresponding Budget, for the Appraisal Perimeter established in said program. Notwithstanding any specific provisions of this article, the Contractor, throughout the validity of said exclusive appraisal permit, shall be subject to the same system as that applicable to the exclusive exploration permit.

11.3.1. If the Government grants an exclusive appraisal permit under article 11.3, the Contractor shall then diligently perform the appraisal work program for the discovery in question, specifically drill the appraisal well and perform the production tests established in said program.

At the request of the Contractor, notified at least thirty (30) days before expiration of the appraisal period defined in article 11.3 above, the duration of said period may be extended for a maximum of twelve (12) months, provided that this extension is justified by the drilling of boreholes and production tests for the appraisal program.

11.3.2. Within three (3) months from the completion of the appraisal work, and no later than thirty (30) days before expiration of the appraisal period, the Contractor shall provide the Government with a detailed report providing all information relative to the discovery and its appraisal.

11.3.3. If the Contractor believes, after performing the appraisal work, that the Field corresponding to the Hydrocarbons discovery is commercial, it shall also submit to the Government, along with the above-mentioned report, an exclusive production permit application defined in article 11.3.2 above, accompanied by a detailed development and production plan for said Field that specifically includes the following:

a) the planned boundaries of the Production Perimeter requested by the Contractor, so that it covers the area defined by the enclosure of the field identified in article 11.1, as well as all technical justification concerning the scope of said Field;

b) an estimate of the reserves in place, recoverable, proven and probable reserves, and the corresponding annual production, as well as a study of any recovery and enhancement methods for Crude Oil associated products, such as Associated Natural Gas;
c) an item-by-item description of the facilities and work necessary for production, such as the number of development wells, the number and characteristics of pads, pipelines, production, processing, storage and loading facilities;
d) the estimated performance schedule and the planned date to begin production, and
e) the estimated investments and production expenses, as well as an economic evaluation confirming the commercial nature of the discovery identified in article 11.1.

11.3.4. The commercial nature of one or more Hydrocarbon Fields shall be evaluated at the discretion of the Contractor, provided that after the appraisal work, it submits to the Government the economic study indicated in article 11.3.3 e) confirming the commercial nature of said Field(s).

A Field may be declared to be commercial by the Contractor after having considered the operational and financial data collected during the performance of the exploration programme and the appraisal program, and including but not limited to the recoverable Hydrocarbon reserves, the durable production levels, the availability of the commercial markets and other technical and economic factors and according to the Best Industry Practice in the international petroleum industry.

11.3.5. In order to evaluate the commercial nature of the Field(s), the Government and the Contractor shall meet within ninety (90) days following submission of the development and production plan accompanied by the economic evaluation.

11.3.6. The development and production plan submitted by the Contractor shall be approved by the Government, which may not be withheld without a valid reason. Within ninety (90) days following submission of said plan, the Government may propose revisions or changes to the plan, notifying the Contractor with all necessary justifications. In this case, the Parties shall meet as soon as possible to examine the revisions or modifications requested and to establish the plan in its definitive form by mutual agreement; the plan shall be considered to be approved by the Government as of the date of said agreement.
If the Government fails to notify the Contractor of its proposed revision or modification within ninety (90) days as indicated above, the development and production plan submitted by the Contractor shall be considered to be approved by the Government upon expiration of said term.

11.4. When the Contractor does not wish to perform the appraisal work for the Hydrocarbons discovery indicated in article 11.1, the provisions of article 3.8 shall be applicable.

11.5. If, after the appraisal period defined in article 11.3., the Contractor justifies that bringing the evaluated Field on-stream is not very profitable due to current economic circumstances and that other discoveries are likely to be made in the rest of the Delimited Region that will allow all of the discoveries to be cumulatively declared to be commercial, it may petition the Government to allow it to retain its rights to the area delimiting the discovery for a duration that may not under any circumstances exceed that of all of the exploration periods.

11.6. If, for reasons that are not technically justified, the Contractor:
a) has not, within twelve (12) months following notification to the Government of a Hydrocarbon discovery, applied for an exclusive appraisal permit or

b) has not begun the appraisal work for said discovery within six (6) months after having obtained the exclusive appraisal permit or
c) within eighteen (18) months after completing the appraisal work, does not declare the discovery commercially viable,

the Government may request the Contractor abandon its rights to the area presumed delimits the said discovery without any indemnity in favour of the Contractor.

If, within sixty (60) days following the Government's request, the Contractor has not requested an exclusive appraisal permit, nor commenced the appraisal works nor declared that the discovery is commercially viable, if appropriate, the Contractor shall then abandon said area and shall lose all rights to the hydrocarbons that may be produced from said discovery; any area so relinquished shall be deducted from the areas to be relinquished pursuant to article 3.5.

11.7. Any quantity of Hydrocarbons produced from a discovery before it is declared to be commercial, if it is not used for the needs of the Petroleum Operations or lost, but if it is sold, shall be measured in accordance with the provisions of article 15.9 and included in the Total Production for application of the provisions of articles 16, 17 and 21.

11.8. Notwithstanding any provisions to the contrary in this article 11, if the Contractor believes that it can directly develop and produce a Hydrocarbons discovery without first performing all of the appraisal work, it may submit an exclusive production permit application accompanied by a detailed development and production plan in accordance with article 11.3.3, provided that it is able to justify in said plan that it has compiled sufficient information, especially with regard to production tests, showing that it is not necessary to perform appraisal work.

ARTICLE 12: GRANTING AN EXCLUSIVE PRODUCTION PERMIT RELATING TO A COMMERCIAL DISCOVERY

12.1. A commercial Hydrocarbons discovery gives the Contractor the exclusive right, if it submits an application under the conditions established in article 11.3.3, to obtain for such discovery an exclusive production permit covering the corresponding Production Perimeter.

12.2. If the Contractor makes several commercial discoveries in the Delimited Region, each of them, in accordance with the provisions of article 12.1, shall entitle the Contractor to an exclusive production permit, each corresponding to a Production Perimeter. The number of exclusive production permits and of related Production Perimeters in the Delimited Region is unlimited.

12.3. If, during the course of the work subsequent to granting the exclusive production permit, it appears that the area defined by the enclosure of the Field in question is greater than that initially projected in accordance with article 11.3.3, the Government shall grant the Contractor, within the context of the exclusive production permit already issued, an additional area so that the entire Field is covered by the Production Perimeter, provided, however, that the Contractor provides the Government, along with its application, with technical documentation justifying the requested extension.

12.4. In the event that a Field declared commercial extends beyond the limits of the Delimited Region, to areas that have been attributed to other entities, the Contractor, at the Government's written request, and after submission of a development and production plan for the said Field, by the Contractor or the owner(s) of the adjacent areas, must develop the mentioned Field in

association with the owner(s) of the adjacent areas according to the provisions of a "unitization" agreement.

In this case, the Contractor and the owner(s) of the adjacent areas agree to submit a joint development and production plan ("**Joint Plan**") for approval by the Government within no more than twelve (12) months after the Government makes its request.

The Joint Plan must comply with the Best Industry Practice in the international petroleum industry and will be treated in accordance with the provisions of article 11.3.6.

If the Contractor and the owner(s) of the adjacent areas do not submit the Joint Plan for approval by the Government within twelve (12) months as indicated above, the Government will appoint an independent consultant, from the lists of four (4) consultants proposed by each of the Contractor and the owner(s) of the adjacent areas within thirty (30) days after expiry of the above-mentioned twelve (12) month period.

The consultant so appointed by the Government shall prepare, in accordance with the Best Industry Practice in the international petroleum industry and within a period of ninety (90) days, a Joint Plan, based on the previous development plans submitted by the Contractor and by the owner(s) of adjacent areas. During this procedure, the consultant shall consult with the Parties and keep them regularly informed. At the end of his or her work, the consultant must submit the Joint Plan to the Government, to the Contractor and to the owner(s) of the adjacent areas.

The Government, the Contractor and the owner(s) of the adjacent areas shall meet as promptly as possible to examine any proposed reviews and changes, and by mutual agreement, establish the final version of the Joint Plan.

12.5. In the event that a Field that is declared to be commercial extends beyond the limits of the Delimited Region into a block that has not yet been assigned or that has not yet been negotiated with another company, the Government will give priority to the Contractor, according to the conditions defined in an agreement, for said adjacent block, if the Contractor so requests.

ARTICLE 13: DURATION OF THE PRODUCTION PERIOD

13.1. The duration of an exclusive production permit, during which time the Contractor is authorised to produce a commercial Field, is set at twenty-five (25) years from the date on which it is granted as stated in article 12.

If, upon expiry of the twenty-five (25) year production period defined above, the commercial production of a Field is still possible, the Government will authorise the Contractor, upon the latter's grounded request submitted at least twelve (12) months before the mentioned expiry, to, within the framework of this Agreement, continue production of the said Field during an additional period including the remaining commercial production period for the Field, where such duration cannot exceed ten (10) years, conditional on the Contractor having fulfilled its obligations during the current production period.

If, upon expiration of this additional production period, commercial production of said Field is still possible, the Contractor may request the Government, at least twelve (12) months before said expiration, to authorise it to pursue production of said Field, within the context of this Agreement, during an additional period to be agreed.

13.2. The Contractor may at any time waive any or all of an exclusive production permit, subject to advance notice of at least six (6) months, which may be reduced with the consent of the Government. This advance notice shall be accompanied by the list of measures that the Contractor waiving the permit agrees to take, in accordance with the Best Industry Practice in the international petroleum industry, at the time of such waiver, which shall not become effective until after the required abandonment.

13.3. The exclusive production permit may be withdrawn in the following cases:
a) the stopping of the development or production work in a Field declared to be commercial, during an uninterrupted term of at least six (6) months, except in the case of Force Majeure in accordance with article 33, without the approval of the Government, or
b) the abandonment of production of a Field with the exception of the provisions of article 13.2.

In the case of a Natural Gas Field, if the Natural Gas buyer(s) were unable or were unwilling to take delivery of the Natural Gas production under normal commercial conditions for a period of at least six (6) months, the Contractor may refer the matter to the Government in writing and the Contract will be extended for a period that is equal to that during which the production work was interrupted.

13.4. Upon expiration, waiver or withdrawal of the last exclusive production permit granted to the Contractor, this Agreement shall end.

13.5. The expiration or termination of this Agreement for any reason whatsoever shall not put an end to the Contractor's obligations created before or at the time of such expiration or termination and that must be performed, especially with regard to the provisions of article 20.

13.6. In the event of waiver by the Contractor of any or all of a Production Perimeter or withdrawal or expiration of an exclusive production permit, if the Government believes that production of the Field in question may be pursued by a new operator, the Government shall be entitled to have it produced, without any consideration for the Contractor. The Parties and the new operator will consult with each other in relation to a transition plan so as to ensure production continuity. In such a case, the Contractor will be released of all commitments and all liability resulting from this Agreement, especially the abandonment obligations provided under article 20.16.

<u>ARTICLE 14:</u> PRODUCTION OBLIGATION

14.1. For any Field entailing the grant of an exclusive production permit, the Contractor agrees to perform, at its expense and its own financial risk, all Petroleum Operations that are appropriate and necessary for production of said Field.

14.2. If the Contractor establishes, during the development period or during the production period, that production of a Field is not commercially profitable, although an exclusive production permit was granted in accordance with the provisions of article 12.1, the Government agrees to not require the Contractor to continue production of this Field.

In this case, the Government, at its discretion, may withdraw the exclusive production permit in question from the Contractor, without any consideration for the Contractor, subject to sixty (60) days advance notice, and the provisions of articles 13.6 and 20 shall be specifically applicable.

<u>ARTICLE 15:</u> OBLIGATIONS AND RIGHTS OF THE CONTRACTOR RELATED TO EXCLUSIVE PRODUCTION PERMITS

15.1. The Contractor shall begin the development work presented within the development and production plan within no more than six (6) months after approval of the development and production plan set forth in article 11.3.6., and shall pursue it with the maximum diligence.

In accordance with article 14.2, the Contractor agrees to produce all of the Hydrocarbons contained in the Production Perimeter, under economically viable conditions.

15.2. The provisions of articles 5, 6, 7, 8, 9 and 10 are also applicable, *mutatis mutandis*, within the context of exclusive production permits.

15.3. The Contractor is entitled to build, use, operate and maintain all Hydrocarbons storage and transport facilities that are necessary for the production, processing, transportation and sale of the Hydrocarbons produced, in accordance with the conditions set forth in this Agreement.

The Contractor may determine the layout and placement of pipelines within the Republic of Côte d'Ivoire necessary for the Petroleum Operations, but it must submit the plans that are in accordance with Best Industry Practice in the international petroleum industry and the regulations in force in the Republic of Côte d'Ivoire to the Government for approval before beginning work; all pipelines crossing or along roads or passages (other than those used exclusively by the Contractor) shall be constructed so as to not disturb said roads or passages.

The transportation conditions and the security regulations for these projects shall be the subject of an agreement between the Parties.

15.4. The Contractor, within the limit and for the duration of the excess capacity of a pipeline or a processing, transportation or storage facility built for the needs of the Petroleum Operations, may be required to accept the passage of Hydrocarbons from production other than that of the Contractor, provided that:

a) this passage is not detrimental to the Petroleum Operations, and

b) a reasonable tariff covering normal compensation of funds invested to construct and operate the pipeline or facility is question is paid by the user.

The Contractor shall determine an order of priority should there be a passage of Hydrocarbons from one (1) or more other operations. The tariffs and the order of priority will be subject to the Government's prior approval.

15.5. Upon obtaining an exclusive production permit, the Contractor agrees to diligently perform the development drilling, spaced apart to guarantee, in accordance with the Best Industry Practice in the international petroleum industry, so as to maximise the economic recovery of the Hydrocarbons contained in the Field in question.

15.6. The Contractor must observe Best Industry Practice in conducting the development and production operations, so as to maximise the economic recovery of the Hydrocarbons, and to carry out assisted recovery studies.

15.7. The Contractor shall provide the Government with all reports, studies, results of measurements, tests, and documents that enable it to control proper production of each Field.

The Contractor must specifically take the following measures in each production well:

a) monthly test of production and of gas/oil ratio, and
b) semi-annual measurement of the reservoir pressure of the Field.

15.8. The Contractor agrees, from each Field, to produce annual quantities of Hydrocarbons according to the provisions of article 15.6.

The annual production rates of each Field shall be submitted by the Contractor, together with the Annual Work Programs indicated in article 5, for approval by the Government, which shall not be refused if the Contractor provides technically and economically justified arguments.

15.9. The Contractor shall measure, by using, after Government approval, a measuring instrument, the measuring tools and procedures in accordance with Best Industry Practice in the international petroleum industry, at a point established by mutual agreement between the Parties, all Hydrocarbons produced after extracting water and sediments, with the exception of:

a) Hydrocarbons used for the Petroleum Operations, and
b) inevitable losses.

The Government shall be entitled to examine these measures and to verify the devices and procedures used, or have them verified.

If the Contractor wishes to modify said measurement devices and procedures, it shall first obtain the approval of the Government.

When the devices and procedures used have resulted in an over- or under-estimate of the measured quantities, the error shall be considered to exist as of the date of the last calibration of the devices, unless otherwise justified, and the appropriate adjustment shall be made for the period during which this error exists.

<u>ARTICLE 16:</u> RECOVERY OF PETROLEUM COSTS RELATING TO CRUDE OIL AND PRODUCTION SHARING

16.1. Since beginning regular production of Crude Oil, the Contractor shall sell all production of Crude Oil obtained from the Delimited Region, in accordance with the provisions below defined.

16.2. To recover the Petroleum Costs, the Contractor may take, free of charge every Calendar Year, a portion of the production of Crude Oil which under no circumstances shall exceed seventy-five percent (75%) of the Total Production of Crude Oil of the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs actually incurred and paid.

If, during the course of a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article, exceed the equivalent ofseventy-five percent (75%) of the value of the Total Production of Crude Oil from the Delimited Region, the balance of the

Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the following Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be added to the Development Expenditures that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 16.2.

16.3. The quantity of Crude Oil from the Delimited Region remaining during the course of each Calendar Year after the Contractor has taken from the Total Production of Crude Oil the portion necessary for recovery of the Petroleum Costs in accordance with the provisions of article 16.2, hereinafter referred to as "**Remaining Production**," shall be shared between the Government and the Contractor in the following manner:

Portion of Total Daily Production of Crude Oil (in Barrels/day)	Contractor's Participating Interest in the Remaining Production
From 0 to 50,000	**62%** multiplied by H
From 50,001 to 100,000	**57%** multiplied by H
From 100,001 to 150,000	**52%** multiplied by H
Over 150,000	**47%** multiplied by H

The "**H**" factor is defined as follows:

- for a Crude Oil price between $50 and $200 per barrel:
  H = 1.629 – 0.141 Ln (Deflated Crude Oil price in December 2011),
  Ln being the natural Logarithm.

In any event, it is understood that:

- for a price of Crude Oil less than $50 per barrel: **H = 1.08**
- for a price of Crude Oil greater than $200 per barrel: **H = 0.88**

The deflation is calculated based upon the "Consumer Price Index, **CPI**" of the United States of America (USA) according to the following formula:

$$P(M, \text{Dec } 2011) = \frac{P(M) \times CPI(\text{Dec } 2011)}{CPI(M)}$$

where:

P(M, Dec 2011): Crude Oil price for month M deflated for December 2011;

P (M): Crude Oil price for month M;
CPI (M): U.S. Consumer Price Index for month M;
CPI (Dec. 2011): U.S. Consumer Price Index for December 2011.

Unless otherwise agreed, the Consumer Price Indices of the United States of America (CPI) are provided by the "US Bureau of Labor Statistics/All Urban Consumers/U.S. city average/All items" on the website "www.bls.gov/cpi".

In the event the above-mentioned index no longer exists, the Parties shall agree to choose another index within ninety (90) days following the date on which the index ceased to exist. If no agreement on a new substitution index is reached within ninety (90) days, the Parties may, in respect of Petroleum Costs, hire an independent consultant so as to propose, within ninety (90) days, a similar index that will be imposed on the Contractor.

In the event agreement is not reached concerning the above-mentioned ninety (90) days, the Government will, within thirty (30) days appoint a consultant to propose a new index within sixty (60) days after their appointment by the Government. The consultant's costs and expenses are Petroleum Costs that are recoverable under this Contract.

When the cumulative production of Crude Oil in the Delimited Region reaches twenty-five (25) million barrels, the Contractor's share in the Remaining Production (before application of the H factor) shall decrease by one half of one percent (0.5%) for each applicable portion of production.

When the cumulative production of Crude Oil in the Delimited Region reaches fifty (50) million barrels, as well as for each twenty-five (25) million incremental barrels, the Contractor's share in the Remaining Production (before application of the H factor) shall decrease by one percent (1%) for each applicable portion of production up to a cumulative limit of one hundred and fifty (150) million barrels is reached.

When the cumulative production in the Delimited Region reaches one hundred and fifty (150) million barrels, no further reduction of the Contractor's share shall be applied.

By way of example, for a daily production that amounts to between 0 and 50,000 barrels/day, the Contractor's share in the Remaining production is of 62% multiplied by H.

When cumulative production reaches 25,000,000 barrels, the Contractor's share in the Remaining production becomes:

- **62**% - (**62**% x 0.5%) = 61.69**% multiplied by H**

When cumulative production reaches 50,000,000 barrels, the Contractor's share in the Remaining production becomes:

- **61.69**% - (**61.69**% x 1%) = 61.0731**% multiplied by H**

When cumulative production reaches 75,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 61.0731% - (61.0731% x 1%) = 60.462369**% multiplied by H**

When cumulative production reaches 100,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 60.462369% - (60.462369% x 1%) = 59.85774531**% multiplied by H**

When cumulative production reaches 125,000,000 barrels, the Contractor's share in the Remaining production becomes:

- 59.85774531% - (59.85774531% x 1%) = 59.2591678569**% multiplied by H**

When cumulative production reaches 150,000,000 barrels, no reduction will be made to the Contractor's share in the Remaining production, and the Contractor's share in the Remaining Production is maintained at 59.2591678569**% multiplied by H**

The State's share in the Remaining Production is equal to the Remaining Production after recovery of the Petroleum Costs, less the Contractor's share as calculated above.

For application of this article, the Total Daily Production of Crude Oil shall be the average rate of daily Total Production of Crude Oil at the wellheads during the Calendar Month in question.

Thus, for a given Total Daily Production of Crude Oil, the Contractor shall take the portion necessary for recovery of the Petroleum Costs as provided in article 16.2, in each portion of Total Daily Production of Crude Oil defined in the table above before sharing the Remaining Production between the Government and the Contractor according to the rates agreed as above.

For purposes of applying the tax legislation of the Republic of Côte d'Ivoire, the quantity of Crude Oil that the Government shall receive during the course of each Calendar Year, pursuant to this article 16.3, shall include the portion necessary to pay all tax(es) of the Contractor in the Republic of Côte d'Ivoire that may be imposed on its income. The Government agrees to pay on this portion all income tax(es) in the name and on behalf of the Contractor, and to send the Contractor the official vouchers for these payments as set forth in article 17.6. In order to determine the value of said portion necessary for payment of income tax, the Government shall use the sales price defined in article 18. The share of Crude Oil made available to the Government representing income tax shall be determined separately and specified in accordance with the provisions of this article.[NOTE: FOR DISCUSSION ON 18 DECEMBER 2017]

However, notwithstanding the above, it is agreed that each entity constituting the Contractor may choose to pay directly in cash the tax on its industrial and commercial profits for any given Fiscal Year.

In this case, the tax will be paid by the entity concerned in instalments:

- simultaneously to the payments to be made by PETROCI under article 16.6 below; or

- within forty-five (45) days running from the date the Government removed its part in the Remaining Production, in the event that the Government, in accordance with article 16.5, chooses to receive all of its share in kind.

The instalment amounts to be paid, as stated above, will each be equal to the value based on the selling price defined in article 18 below, of the portion the Government received as its share in the Remaining Production, for the payment of the entity concerned.

As soon as the entity in question has paid the required instalment as a result of the above, the Government shall remit to that entity, in compensation, an amount identical to the aforementioned portion that the Government has previously received. The determination of the quantity of Crude Oil and the allocation of Crude Oil to this entity will be made as much as possible during the first collection following the payment of the income tax.

At the end of the Fiscal Year, where the instalment amounts the entity has paid for the Fiscal Year in question is higher or lower than the amount of the tax actually due, an appropriate adjustment will be made either by the entity settling the balance, either by the entity or the Government paying the equivalent amount. No adjustment will occur after the end of the Agreement.

16.4. The Government may receive its share of production defined in article 16.3, either in cash or kind, with the understanding that for budget purposes, fifteen percent (15%) of this share of production shall be allocated to the State's *Fonds d'Actions Pétrolières* [Petroleum Share Fund] and shall not entail any additional charge for the Contractor.

16.5. If the Government wants to receive any or all of its share of production defined in article 16.3 in kind, it shall advise the Contractor to this effect in writing at least ninety (90) days before the start of the Calendar Quarter in question, specifying the exact quantity it wishes to receive in kind during said Calendar Quarter.

For this purpose, the Contractor shall not sign any commitment to sell the Government's share of production with a term longer than one (1) year without the Government's written consent.

16.6. If the Government wishes to receive any or all of its share of production defined in article 16.3 in cash, or if the Government has not notified the Contractor of its decision to receive its share of production in kind in accordance with article 16.5, PETROCI is required to sell the Government's share of production and to pay it, within thirty (30) days after receipt of payment, the amount equal to the quantity corresponding to the Government's share of production multiplied by the sales price defined in article 18 less the charges incurred by such operation.

ARTICLE 17: TAX SYSTEM

17.1. Subject to any provisions to the contrary in this Agreement, the Contractor, as a result of its Petroleum Operations, shall be subject to the applicable laws and regulations in effect in the Republic of Côte d'Ivoire with respect to Duties and Taxes, and including the requirements relating to providing tax returns as well as the calculation of taxes and tax contributions and the Contractor shall file any declarations that may be required for this purpose.

It is specifically acknowledged that the provisions of this article apply individually with respect to all entities comprising the Contractor pursuant to this Agreement.

The Contractor shall maintain, by Fiscal Year, separate accounting from the Petroleum Operations, in accordance with current legislation in the Republic of Côte d'Ivoire, especially

in order to establish a production and income account as well as a balance sheet showing the results of the Petroleum Operations as well as the assets and liabilities allocated or related thereto.

17.2. For application of the provisions of article 17.1, the Contractor, according to its net earnings derived from the Petroleum Operations, is subject to direct taxation on industrial and commercial earnings as established in the General Tax Code.

In accordance with the provisions of article 16.3 and 21.3.1, the Contractor shall not be subject to any payment to the Government for said tax. From the point of view of the tax authorities of the Republic of Côte d'Ivoire, the share of Hydrocarbons that the Contractor is authorised to receive pursuant to the provisions of articles 16.2, 16.3, 21.1.5, 21.2.4 and 21.3.1 is considered to represent the recovery of Petroleum Costs and the net earnings reverting to the Contractor after tax on industrial and commercial income.

17.3. In order to determine the net taxable earnings of the Contractor for a Fiscal Year, the production and income account shall be credited with:

a) the gross annual revenue of the Contractor reported in its accounting books, from the sale of the quantity of Hydrocarbons it has pursuant to the articles 16.2, 16.3 and 21.3.1.

The Contractor shall endeavour to obtain an export price for the Crude Oil that most closely reflects the international market rate at the time of establishing the price.

b) all other revenue or proceeds related to the Petroleum Operations, especially including those from:

- the sale of related substances;
- the processing, transportation or storage of products for Third Parties at the facilities allocated to the Petroleum Operations.
- Subject to article 17.7, gains realised at the time of assigning or transferring any assets of the Contractor, or the full or partial assignment of the rights and obligations arising out of this Agreement. Nevertheless, a gain cannot result from any transfer (i) that does not entail an actual payment in cash or kind by the transferee to the transferor or recovery of a liability already booked by the transferor or (ii) that cannot be considered in any way a financial profit;
- foreign exchange gains realised from the Petroleum Operations.

c) the value of the share of Hydrocarbons taken by the Government, in accordance with the last section of article 16.3 and the penultimate section of article 21.3.1, in payment of the income tax indicated in article 17.1 for the Fiscal Year in question.

17.4. This same production and income account shall be debited in the amount of all charges required for the needs of the Petroleum Operations for the Fiscal Year in question, the deduction of which is authorised by applicable laws in the Republic of Côte d'Ivoire and the provisions of this Agreement.

The charges that may be deducted from income for the Fiscal Year in question specifically include the following:

a) Besides the charges explicitly indicated below in this article 17.4, all other Petroleum Costs, including the cost of supplies, personnel and labour expenses, and the cost of services provided to the Contractor for the Petroleum Operations. Nevertheless:

- the cost of supplies, personnel and services provided by Affiliated Companies shall be deductible insofar as they do not exceed those normally invoiced under free market conditions between an independent buyer and seller for the identical or similar services.
- fixed asset expenses shall be amortised as of the start of commercial production in the Delimited Region. The amortisation deductible for the Fiscal Year in question shall be equal, at most, to the difference, if positive, between the amount of the Petroleum Costs recovered for the Fiscal Year in question pursuant to article 16.2, and the total of other amounts charged to the production and income account in accordance with this article 17.4.

b) The overheads related to the Petroleum Operations performed within the context of this Agreement, including in particular:

- the leasing expenses for movable and immovable property and insurance premiums, and
- a reasonable share, in relation to the services rendered for the Petroleum Operations performed in the Republic of Côte d'Ivoire, wages and salaries paid to directors and employees residing abroad, and administrative overheads of the central offices of the Contractor and the Affiliated Companies working on its behalf, located abroad, and the indirect expenses incurred by said central offices abroad on their behalf. The overheads paid abroad may not under any circumstances be greater than the limits established in the Accounting Procedure.

c) The actual amount of interest and commission fees paid to the creditors of the Contractor, within the limits established in the Accounting Procedure. Shareholders and Affiliated Companies shall not be considered as "third parties" pursuant to article 72.3 of the Petroleum Code and, as a result, any advances and loans made to them outside of the Republic of Côte d'Ivoire shall not be submitted for approval by the petroleum administration indicated in said article, but shall be declared to it and, in accordance with the previous section, shall also be subject to the limitations established in the Accounting Procedure.

d) Losses of equipment or assets resulting from destruction or damage, assets to be waived or abandoned during the year, irrecoverable receivables, compensation paid to Third Parties for damages.

e) Reasonable and justified provisions established to cover clearly identified subsequent losses or expenses that are likely according to current situations, especially provisions for abandonment costs established pursuant to article 20.8.

f) Any other losses or charges directly related to the Petroleum Operations, as well as bonuses and amounts paid during the Fiscal Year pursuant to article 19 and articles 30.2, 30.3 and 30.4, with the exception of the amount of direct income tax determined in accordance with the provisions of this article.

g) The uncleared amount of losses from prior Fiscal Years in accordance with the legislation of the Republic of Côte d'Ivoire.

17.5. The net taxable income of the Contractor shall be equal to the difference, if positive, between the total amounts credited and the total amounts debited to the production and income account. If this amount is negative, it constitutes a loss.

17.6. Within three (3) months following the close of a Fiscal Year, each entity comprising the Contractor shall send the appropriate tax authorities its annual income tax declaration, accompanied by financial statements, as required by current legislation in the Republic of Côte d'Ivoire.

The Government, after examining said annual declaration and ascertaining payment of the tax, shall issue to the Contractor, within a reasonable time period, the tax vouchers and all other documents showing that the Contractor has performed, for the Fiscal Year in question, all of its fiscal obligations in terms of the industrial and commercial income tax as defined in this article. These tax receipts issued in the Contractor's name will state the amount of tax paid on income and will present the information and related matters in detail.

17.7. Outside of the industrial and commercial income tax as defined in this article and the bonuses indicated in article 19, the Contractor shall be exempt from all national, regional or municipal taxes, duties, levies or contributions of any type imposed on the Petroleum Operations and all related income or, more generally, property, durable goods (including offshore storage vessel), activities or actions of the Contractor (including its establishment and operation for performance of this Agreement).

The agents, subcontractors, suppliers and Affiliated Companies of the Contractor shall also be exempt from all national, regional or municipal taxes, duties, levies or contributions of any type imposed on the Petroleum Operations and all related income, in particular including but not limited to turnover tax, value added taxes (VAT), tax on banking transactions Taxes sur les opérations bancaires, (or TOB), tax on non-commercial income (BNC), tax on credit income (IRC) and on industrial and commercial income (BIC), due on sales or purchases, work performed and services rendered to the Contractor within the context of this Agreement.

Pursuant to the foregoing, the Contractor is presumed to have paid, in the name and on behalf of its agents, subcontractors and suppliers and Affiliated Companies, the taxes described above by allocating to the Government the share of Hydrocarbons due to it pursuant to articles 16.3 and 21.3.2 below; consequently, the benefit of the certificate issued by the Government to the Contractor by virtue of the payment of taxes on the portion of Hydrocarbons attributed to it pursuant to articles 16.3 and 21.3.1 extends to the agents, subcontractors, suppliers and Affiliated Companies of the Contractor.

Shareholders of the entities comprising the Contractor and their Affiliated Companies shall also be exempt from all taxes, duties, levies and contributions for dividends received, credits, loans and related interest, purchases, transportation of Hydrocarbons for export, services rendered and in general, on all income and activities in the Republic of Côte d'Ivoire related to the Petroleum Operations.

In addition to the exemptions provided for under the Petroleum Code, assignments of all types between the companies that are party to this Agreement, themselves or between them and their

Affiliated Companies, as well as any other transfer carried out in accordance with the provisions of article 35, shall be exempt from all duties or taxes due for this purpose. Assignments of all types between the companies that are party to this Agreement and Third Parties shall be subject to payment of fees as defined in article 35.

Pursuant to the provisions of this article and the provisions relative to the customs system, the Contractor shall submit for approval by the Director General of Hydrocarbons a list of subcontractors, suppliers and Affiliated Companies providing goods and services within the context of performance of this Agreement. Such approval shall not be unreasonably withheld and if not approved within forty five (45) days shall be deemed approved. A copy of the approved list shall be forwarded by the Director General of Hydrocarbons to the General Tax Office and also to the General Customs Office. This list shall be subject to revision and periodic amendment as the Agreement is performed.

17.8. As an exception to the foregoing provisions, property taxes shall be due under the conditions of ordinary law on residential property in force in the Republic of Côte d'Ivoire, and the above-mentioned exemptions do not apply to duties, taxes and fees due in exchange for services rendered by Ivoirian government administrations, collectivities and public institutions.

Nevertheless, the tariffs applied in this respect vis-à-vis the Contractor and its contractors, transporters, clients and agents shall remain reasonable in relation to the services rendered and shall correspond to tariffs generally applied for these same services by said government administrations, collectivities and public institutions.

ARTICLE 18: SALES PRICE OF CRUDE OIL

18.1. For the purposes of this Agreement, and especially for application of articles 16.2, 16.6, 17, 22 and 27, the price of the Crude Oil shall be the "**Market Price**" F.O.B. at the point of Delivery of the Crude Oil, expressed in Dollars per barrel and payable at thirty (30) days from date of Bill of Lading, as determined below for each Calendar Quarter.

A Market Price shall be determined for each type of Crude Oil or blend of Crude Oils.

18.2. The Market Price applicable to Crude Oil lifted during a Calendar Quarter shall be calculated at the end of said Calendar Quarter and shall be equal to the weighted average sales price of Crude Oil from the Delimited Region obtained during said Calendar Quarter by the Contractor and the Government from independent buyers, adjusted to reflect the differences in quality and density as well as the F.O.B. delivery terms and payment terms, provided that the quantities sold in this manner to independent buyers during the Calendar Quarter in question represent at least thirty percent (30%) of the total quantities of Crude Oil from the Delimited Region sold during said Calendar Quarter.

18.3. In the event that these sales to independent buyers are not performed during the Calendar Quarter in question or do not represent at least thirty percent (30%) of the total quantities of Crude Oil from the Delimited Region sold during the course of the said Calendar Quarter, the Market Price shall be determined, for sales of Crude Oils of a quality similar to the Crude Oil of the Delimited Region intended for the same markets as those on which the Ivoirian Crude Oil would normally be sold, based upon prices applied on the international market during this Calendar Quarter between independent buyers and sellers published during this Calendar Quarter in the "Platt's Oilgram Price Report" or any other document agreed between the Parties, adjusted

to take into account any differences in quality, density and transportation as well as the terms of sale and payment.

The government and Contractor shall select these reference Crude Oils at the beginning of each Calendar Year.

18.4. The following transactions shall specifically be excluded from the calculation of the Market Price of Crude Oil:

- **a)** sales in which the buyer is an Affiliated Company of the seller and the sales between entities comprising the Contractor;
- **b)** sales on the Ivorian domestic market pursuant to article 27.1, and
- **c)** sales entailing compensation other than payment in freely convertible currency and sales motivated, in whole or in part, by considerations other than the economic incentives that are usual in sales of Crude Oil on the international market (such as foreign exchange contracts, government to government sales or to governmental agencies).

18.5. Within (10) days following the end of each Calendar Quarter, the Government and the Contractor shall notify each other of the prices obtained for their share of production of Crude Oil from the Delimited Region sold to independent buyers during the Calendar Quarter in question, indicating for each sale the identity of the buyer, the quantities sold, the delivery and payment conditions.

Within twenty (20) days following the end of each Calendar Quarter, the Contractor shall determine, in accordance with the provisions of article 18.2 or article 18.3, whichever relevant, the Market Price applicable to the Calendar Quarter in question, and shall notify the Government of this Market Price, indicating the calculation method and all information used in calculating the Market Price.

Within thirty (30) days following receipt of the notice indicated in previous section, the Government shall verify the accuracy of the calculation of the Market Price and shall notify the Contractor of its acceptance or objections. If the Government fails to notify the Contractor within thirty (30) days, the Market Price indicated in the Contractor's notice in the previous section shall be deemed to be accepted by the Government.

In the event that the Government notifies objections to the Market Price, the Government and Contractor shall meet within fifteen (15) days following notification from Government to reach a mutual agreement on the Market Price. If the Government and Contractor do not reach an agreement on the Market Price applicable to a given Calendar Quarter within seventy-five (75) days following the end of this Quarter, the Government, or the Contractor, may immediately submit the matter to an expert, appointed in accordance with the following section, to determine the Market Price (including the determination of reference Crude Oils if the Government and Contractor have not determined it). The expert shall determine the price within thirty (30) days after the appointment, and his conclusions shall be final and binding upon the Government and Contractor. The expert shall render a decision in accordance with the provisions of this article.

The expert shall be chosen by agreement between the Government and Contractor or, if an agreement cannot be reached, by the International Centre for Technical Expertise of the International Chamber of Commerce (Chambre de Commerce Internationale or "**CCI"**) in accordance with its Expertise Regulations, at the request of the Government or the Contractor to do so. The expert's fees shall be borne by the Contractor and included in the Petroleum Costs.

18.6. In the event that it is necessary to provisionally calculate during a Calendar Quarter the Crude Oil price applicable to quantities lifted during said Calendar Quarter, said price shall be established as follows:

a) for all sales to independent buyers, the price applicable to this sale shall be the price obtained for the Crude Oil for said sale, adjusted to reflect the F.O.B. terms of delivery and the payment terms at thirty (30) days;

b) for all quantities lifted other than those quantities sold to independent buyers, the price applicable to this quantity lifted shall be the Market Price in effect in the previous Calendar Quarter or, if this Market Price has not been determined, a price established by mutual agreement between the Government and Contractor or, in the absence thereof, the last known Market Price.

When the Market Price for a Quarter has been definitively determined, any adjustments shall be made within thirty (30) days after the date of determining the Market Price.

ARTICLE 19: SIGNATURE BONUS

19.1. By way of signing bonus, the Contractor, with the exception of PETROCI, shall pay the amount of one million five-hundred thousand Dollars (US$ 1,500,000) to the competent department of the General Tax Direction of the Republic of Côte d'Ivoire, in accordance with articles 1056 and 1057 of the General Tax Code, within thirty (30) days following the Effective Date.

19.2 The payment indicated in article 19.1 is not recoverable and may not under any circumstances be considered as a Petroleum Cost, but shall be taken into consideration in calculating the tax in accordance with article 17.4.f).

ARTICLE 20: OWNERSHIP AND ABANDONMENT OF ASSETS

20.1. Title to all movable and immovable property acquired by the Contractor within the context of the Petroleum Operations, whether inside or outside of the Delimited Region, shall once per Calendar Year be transferred to the Government when the first of the following events occur:

a) the recovery by the Contractor of all of the corresponding Petroleum Costs; or

b) the waiver of any or all of the Delimited Region; or

c) upon expiration of this Agreement, or

d) upon termination of this Agreement.

The title shall be transferred free of any pledge or guarantee on the assets being transferred.

The provisions set forth in the first section of this article 20.1 shall not be applicable to assets owned by Third Parties or Affiliated Companies that are leased to the Contractor or made available to it within the context of the Petroleum Operations.

20.2. Despite the transfer of title referred to in article 20.1, the Contractor will have priority use of the said movable and immovable assets free of charge, within the framework of this Agreement subject to providing upkeep and maintenance in accordance with the Best Industry Practice of the international petroleum industry.

The Contractor may use said assets for the needs of its Petroleum Operations in the Republic of Côte d'Ivoire governed by other agreements by means of the Government billing a leasing fee, which shall not be greater than the fees billed by Third Parties for similar assets.

20.3. In the event that the assets mentioned in article 20.1 are used as collateral to Third Parties for financing the Petroleum Operations, the title to these assets shall not be transferred to the Government until after the Contractor completely repays the loans guaranteed by them and the guarantees are released. The Parties agree that collateral on loans contracted for financing the Petroleum Operations, before being implemented, must first be approved by the Government.

20.4. The transfer of title to the assets shall be documented in reports signed by the Government and the Contractor. The Contractor shall, every Calendar Year perform an inventory and appraisal of the movable and immovable property owned by the Government to the extent the same is required for insurance purposes.

20.5. If, upon waiver of the Delimited Region by the Contractor, the expiry or termination of this Agreement, the Government decides to not pursue the Petroleum Operations or to not retain the assets transferred to it in accordance with article 20.1, it shall notify the Contractor within no more than one hundred twenty (120) days following the date of written notification to the Government by the Contractor of its decision to waive the Delimited Region. In this case, the Contractor shall then be responsible for performing the abandonment work in accordance with the Best Industry Practice of the international petroleum industry and to remove the facilities, at its expense, corresponding to the abandoned zone that the Government decides to not accept.

20.6. The Contractor is responsible for dismantling and removing the facilities it erected or constructed within the context of its Petroleum Operations. For this purpose, it shall finance the costs related to the abandonment, and shall also remediate the site, in accordance with current pertinent legislation of the Republic of the Cote d'Ivoire and the Best Industry Practice of the international petroleum industry.

20.7. The development and production plan submitted to the Government by the Contractor in accordance with article 11.3.3 shall include a comprehensive abandonment plan (the "**Abandonment Plan**") relative to all developments and facilities in the Production Perimeter required by the Contractor as well as a remediation plan for the sites related to its Petroleum Operations**.**

Said Abandonment Plan shall be updated within the context of the Annual Work Programs and Budget in accordance with article 5, taking into account operational developments and changes in Best Industry Practice of the international petroleum industry.

20.8. In order to finance the cost of the abandonment work, an escrow account shall be established and funded by the Contractor during the production period of the Field, from the time production begins in the Field in question. This escrow account shall be opened and held

in a first class bank in the Republic of Côte d'Ivoire designated by the Contractor and approved by the Government.

As of the month of January following the date of the start in production in the Delimited Region, the Contractor shall deposit, each Calendar Quarter, a provision in the interest-bearing escrow account opened in the name of the Parties.

This escrow account, intended to cover the cost for abandoning the site, shall be jointly managed by the Government and the Operator, and funds may only be withdrawn, in the Parties' mutual agreement, exclusively to finance site abandonment activities approved by the Government.

Furthermore, the Government shall co-sign with the Contractor all requests to withdraw funds from the escrow account.

20.9. The total amount to be deposited in the escrow account shall be equal to the abandonment costs included in the approved development and production plan.

20.10. If the Delimited Region includes more than one Production Perimeter, the amount of the provision shall be subsequently increased in order to reflect the cost of fixed assets for the development of all of the Production Perimeters. Likewise, the total amount shall be adjusted each Calendar Year to reflect the new estimated abandonment costs in accordance with the Work Programme and Budget as approved by the Government.

20.11. The Contractor's annual contribution to the escrow account, hereinafter referred to as "**CACS**," for a given Calendar Year shall be calculated by means of the following formula:

CACS = (MGP - MCPV) PT/VRR where:

MGP is the total amount of the provision established in accordance with articles 20.9 and 20.10 for the given Calendar Year.

MCPV represents the cumulative amount of provisions deposited by the Contractor in the escrow account during prior Calendar Years (taking into account interest and other amounts accruing on deposits in the account),

PT is the Total Production for the Calendar Year in question in the Annual Work Program and the approved Budget, in accordance with article 5.

VRR is the estimated volume of remaining recoverable reserves in the Delimited Region that may be produced during the remaining term of the Agreement.

20.12. For each Calendar Year, and no later than the fifteenth (15 th) day of each Calendar Quarter, the Contractor shall deposit in the escrow account twenty-five percent (25%) of the CACS for that Calendar Year.

20.13. The contributions paid by the Contractor in the escrow account shall be recoverable Petroleum Costs in accordance with articles 16 and 21 of this Agreement.

20.14. All interest or expenses of any type incurred, or other income generated in relation to the escrow account shall be held in said account.

20.15. In the event that the cumulative amount of the escrow account is insufficient to perform the abandonment operations in the Delimited Region, the Contractor shall be required to satisfy the additional charges and expenses necessary to complete said operations within the term specified in the Abandonment Plan.

In the event that the amount of the escrow account is greater than the actual cost for abandoning the site, the balance in this account shall be shared in accordance with the last quantities lifted in accordance with the provisions of article 16.3 or of article 21.3.1, as the case may be.

20.16. If the Government decides that some or all of the facilities are to be returned to it upon expiration of the Agreement for any reason whatsoever, the balance of the escrow account will be transferred in whole or in part, after the financing of the total or partial abandonment, this partial abandonment having to be performed in accordance with the specific elements detailed in the Abandonment Plan, that is required of the Contractor, to the Government which will assume full responsibility for the abandonment of the asset thus delivered.

20.17. The temporary or permanent well abandonment programs shall be submitted at the same time as the drilling programs for said wells. The well abandonment work shall be supervised by the Government, at the expense and under the responsibility of the Operator. The results of the well abandonment work shall be submitted to the Government representative and approved by the latter or its representatives.

Save for the provisions under articles 20.1, 20.5 and 20.16, at the end of the Petroleum Operations, the Contractor shall perform the definitive abandonment work for all wells and all facilities related to the Petroleum Operations.

ARTICLE 21: NATURAL GAS

21.1. Non-associated Natural Gas

21.1.1. In the event of a discovery of Non-associated Natural Gas, the Contractor shall enter into discussions with the Government in order to determine whether the appraisal and production of said discovery is potentially commercial.

21.1.2. If the Contractor, after the above-mentioned discussions, believes that the appraisal of the Non-Associated Natural Gas discovery is justified, it shall undertake the appraisal work program for said discovery, in accordance with the provisions of article 11.

The Contractor shall be entitled, in order to evaluate the commerciability of the Non-Associated Natural Gas discovery, if it so requests at least thirty (30) days before expiration of the third exploration period indicated in article 3.3, to be granted an exclusive appraisal permit in relation to the Appraisal Perimeter of the above-mentioned discovery, for a duration of four (4) years.

Furthermore, the Contractor shall evaluate the possible outlets for the Non-Associated Natural Gas from the discovery in question, both on the local market and for export, as well as the means necessary for sale, and the Parties shall consider the possibility of jointly selling their shares of production in the event that the discovery of Non-Associated Natural Gas is not otherwise commercially producible. For this purpose, a Natural Gas advisory committee shall be established by the Parties to ensure, if appropriate, that it is coordinated and implemented.

21.1.3. After the appraisal work provided for in article 21.1.2, in the event that the Contractor decides to develop and produce this Non-Associated Natural Gas, the Contractor before the end of the appraisal period, shall submit an exclusive production permit application that the Government shall grant under the conditions set forth in article 12.1.

The Contractor shall then have the right and obligation to proceed with development and production of this Non-Associated Natural Gas in accordance with the approved development plan as set forth in article 11.3, and the provisions of this Agreement applicable to Crude Oil

shall apply *mutatis mutandis* to the Non-Associated Natural Gas, subject to the special provisions set forth in article 21.1.

21.1.4. If the Contractor believes that the appraisal of the Non-Associated Natural Gas discovery in question is not justified, the Contractor shall abandon its rights to the area surrounding said discovery, upon expiration of the exclusive exploration permit.

If the Contractor, after the appraisal work, provided for in article 21.1.2 believes that the Non-Associated Natural Gas discovery is not commercial, the Contractor shall abandon its rights to the area surrounding said discovery, either upon expiration of the exclusive exploration permit or upon expiration of the exclusive appraisal permit relative to said discovery, if the same is after the former, unless said area is included in an exclusive production permit prior to this date.

In each case, the Contractor shall lose all rights to the Non-Associated Natural Gas that may be produced from said discovery, and the Government may then perform all appraisal, development, production, processing, transport and marketing work relating to this discovery, or have such work performed, without any consideration given to the Contractor, provided, however, that it does not jeopardise performance of the Petroleum Operations of the Contractor.

If, after the appraisal work performed on a discovery, the Contractor believes that the Non-Associated Natural Gas Field is potentially commercial, but the current commercial outlets do not allow profitable production of said Field, the Contractor may:

a) either request the Government to hold this Field for a period of five (5) years to allow it to research sufficient outlets for profitable production of said Field; this period may be renewed provided that the Contractor justifies its efforts to achieve this objective. After this period ends, the Contractor shall abandon all of its rights to the area surrounding the discovery;

b) or immediately abandon its rights to the area surrounding the discovery.

21.1.5. In order to recover the Petroleum Costs related to the Non-Associated Natural Gas, the Contractor may take, free of charge each Calendar Year, a portion of the production of Non-Associated Natural Gas that under no circumstances may exceed eighty-five percent (85%) of the Total Production of Non-Associated Natural Gas of the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs related to the Non-Associated Natural Gas actually incurred and paid.

If, during a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article exceed the equivalent of eighty-five percent (85%) of value of the Total Production of Non-Associated Natural Gas from the Delimited Region, calculated as indicated above, the balance of the Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the subsequent Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be

added to the Development Expenditures that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 21.1.5

21.2. Associated Natural Gas

21.2.1. In the event of a commercial discovery of Crude Oil, the Contractor shall specify in the report indicated in article 11.3.3 whether the production of Associated Natural Gas (after processing said Associated Natural Gas in order to separate the Hydrocarbons that may be considered as Crude Oil pursuant to articles 16.2 and 16.3) is likely to exceed the quantities necessary for the needs of the Petroleum Operations relating to the production of Crude Oil (including the reinjection operations), and whether it believes that this surplus is likely to be produced in commercial quantities.

In the event that the Contractor has notified the Government of such surplus, the Parties shall jointly evaluate the possible outlets for this surplus Associated Natural Gas, both on the local market and for export (including the possibility of jointly selling their shares of production of this surplus Associated Natural Gas in the event that this surplus is not otherwise commercially producible), as well as the means necessary for sale.

In the event that the Parties agree that the development of the surplus Associated Natural Gas is justified, or in the event that the Contractor wants to develop and produce this surplus for export, the Contractor shall indicate, in the development and production program indicated in article 11.3.3, the additional facilities necessary for the development and production of this surplus and an estimate of the related costs.

The Contractor shall then be entitled to proceed with development and production of this surplus Associated Natural Gas in accordance with the development and production program approved by the Government under the conditions set forth in article 11.3.6, and the provisions of the Agreement applicable to Crude Oil shall apply *mutatis mutandis* to the surplus Associated Natural Gas, subject to the special provisions set forth in article 21.3.

A similar procedure shall be applicable if the sale or the marketing of the Associated Natural Gas is decided mutually by the Parties during production of the Field.

21.2.2. In the event that the Contractor does not consider the production of the surplus Natural Gas to be justified and if the Government, at any time, wishes to use it, the Government shall notify the Contractor to this effect, in which case:

a) The Contractor shall make available to the Government, free of charge, at the exit of the Crude Oil and Natural Gas separation facilities, some or all of the surplus Associated Natural Gas that the Government wants to lift;

b) The Government shall be responsible for collection, processing, compression and transportation of this surplus, from the above-mentioned separation facilities, and shall bear all additional related costs, and

c) The construction of the facilities necessary for the operations indicated in section b) above, as well as lifting of this surplus by the Government, shall be performed in accordance with the Best Industry Practice in the international petroleum industry and

in such a way so as to not disturb production, lifting and transportation of Crude Oil by the Contractor.

21.2.3. Any surplus Associated Natural Gas that is not used within the context of articles 21.2.1 and 21.2.2, shall be reinjected by the Contractor. Nevertheless, the Contractor shall be entitled to burn said gas in accordance with the Best Industry Practice in the international petroleum industry, provided that the Contractor provides the Government with a report showing that this Associated Natural Gas cannot be economically used to improve the recovery rate of Crude Oil by reinjection according to the provisions of article 15.6, and that the Government approves said burning, which approval shall not be refused without a valid reason.

Notwithstanding the above, where the circumstances so require, due to an emergency that may affect the safety of the facilities and persons, and after all remedies provided for by the Best Industry Practice in the international petroleum industry, the Contractor may flare the produced Natural Gas and, as soon as possible, inform the Government. The Contractor shall then remedy the emergency situation and stop flaring the Natural Gas as soon as possible, in accordance with the Best Industry Practice in the international petroleum industry.

21.2.4. In order to recover the Petroleum Costs related to the Associated Natural Gas, the Contractor may take, free of charge each Calendar Year, a portion of the production of Associated Natural Gas that under no circumstances may exceed seventy-five (75%) of the Total Production of Associated Natural Gas from the Delimited Region, or only a lesser percentage that would be necessary and sufficient to recover the Petroleum Costs related to the Associated Natural Gas actually incurred and paid.

If, during a Calendar Year, the Petroleum Costs not yet recovered by the Contractor pursuant to the provisions of this article exceed the equivalent value of seventy-five percent (75%) of the Total Production of Associated Natural Gas from the Delimited Region, calculated as indicated above, the balance of the Petroleum Costs that cannot be recovered in the Calendar Year in question shall be carried forward to the subsequent Calendar Year(s) until recovery in full of the Petroleum Costs.

The Contactor will benefit from a twenty per cent (20%) investment credit applied to Development Expenditures actually incurred as part of the execution of the development plan(s) approved by the Government including subsequent amendments submitted by the Contractor and approved by the Government even if these Development Expenditures are made after the start of production ("Investment Credit"). The Investment Credit will be applied annually at a single time on the relevant Development Expenditures, will not be capitalizable, and will be added to the Development Expenses that the Contractor will be entitled to recover in respect of the Petroleum Costs in accordance with this article 21.2.4.

21.3. Provisions common to Associated Natural Gas and Non-Associated Natural Gas.

21.3.1. The quantity of Natural Gas from the Delimited Region remaining during each Calendar Year after the Contractor has taken - from the Total Production of Natural Gas - the portion necessary in order to recover the Petroleum Costs in accordance with the provisions of article 21.1.5 and 21.2.4 hereinafter referred to as "**Remaining Production**," shall be shared between the Government and the Contractor for each portion as follows:

Portions of Total Daily Production (million cubic feet per day, MMCFD)	State's Share of the Remaining Production	Contractor's Share of the Remaining Production
0 to 100 MMCFD	28%	72%
101 to 250 MMCFD	33%	67%
251 to 500 MMCFD	38%	62%
Over 500 MMCFD	43%	57%

For application of this article 21.3, the Total Daily Production of Natural Gas shall be the average rate of the Total Daily Production of Natural Gas measured at the place stated in the approved development plan, by using the measuring tools and procedures in accordance with Best Industry Practice in the international petroleum industry, during the month in question from which, if applicable, the volume of Natural Gas that is required for the Petroleum Operations will be subtracted.

Thus, for a given Total Daily Production, the Contractor shall take the portion necessary for recovery of the Petroleum Costs in each portion of Total Daily Production of Natural Gas defined in the table above before sharing the Remaining Production between the Government and the Contractor according to the rates agreed as above.

For purposes of applying the tax legislation of the Republic of Côte d'Ivoire, the quantity of Natural Gas that the Government shall receive during the course of each Calendar Year, pursuant to article 21.3.1, shall include the portion necessary to pay all tax(es) of the Contractor in the Republic of Côte d'Ivoire that may be imposed on its income. The Government agrees to pay on this portion all income tax(es) in the name and on behalf of the Contractor, and to send the Contractor the official vouchers for these payments as set forth in article 17.6. In order to determine the value of said portion necessary for payment of income tax, the Government shall use the sales price defined in article 21.3.7. The share of Crude Oil made available to the Government representing income tax shall be determined separately and specified in accordance with the provisions of this article.

However, notwithstanding the above, it is agreed that each entity constituting the Contractor may choose to pay directly in cash the tax on its industrial and commercial profits for any given Fiscal Year.

In this case, the tax will be paid by the entity concerned in instalments:

- simultaneously to the payments to be made by PETROCI where PETROCI is responsible for selling the Government share in the Remaining Production; or
- within forty-five (45) days running from the date the Government removed its part in the Remaining Production, in the event that the Government chooses to receive all of its share in kind.

The instalment amounts to be paid, as stated above, will each be equal to the counter value based on the selling price defined in article 21.3.7 below, of the portion the Government received as its share in the Remaining Production, for the payment of the entity concerned.

As soon as the entity in question has paid the required instalment as a result of the above, the Government shall remit to that entity, in compensation, an amount identical to the aforementioned portion that the Government has previously received.

At the end of the Fiscal Year, where the instalment amounts the entity has paid for the Fiscal Year in question is higher or lower than the amount of the tax actually due, an appropriate adjustment will be made either by the entity settling the balance, or by the entity paying the equivalent amount to the Government. No adjustment will occur at the end of the Agreement.

21.3.2. The Government may receive its share of production defined in articles 21.1.5 and 21.2.4, either in cash or kind, in accordance with the provisions in article 21.3.3 and 21.3.4, with the understanding that for budget purposes, fifteen percent (15%) of this share of production shall be allocated to the State's *Fonds d'Actions Pétrolières* [Petroleum Share Fund] and shall not entail any additional charge for the Contractor.

21.3.3. If the Government wants to receive any or all of its share of production defined in article 21.3.1 in kind, the Government shall advise the Contractor to this effect in writing at least three (3) months before the start of each Calendar Quarter, specifying the exact quantity it wishes to receive in kind during said year.

For this purpose, the Contractor shall not sign any commitment to sell the Government's share of production with a term longer than one (1) year without the Government's written consent.

21.3.4. If the Government wishes to receive any or all of its share of production defined in article 21.3.1 in cash or if the Government has not notified the Contractor of its decision to receive its share of production in kind in accordance with article 21.3.3, the Contractor is required to sell the Government's share of production and to pay it, within thirty (30) days after receipt of payment, the amount equal to the quantity corresponding to the Government's share of production multiplied by the sales price defined in article 21.3.7 less the charges incurred by such operation.

21.3.5. In order to encourage the production of Natural Gas, the Government may allow the Contractor special advantages when duly justified, especially with regard to the recovery of Petroleum Costs, production sharing, the bonuses and PETROCI's participating interest, provided that each of these special advantages relates to the production of Natural Gas.

21.3.6. The Contractor shall be entitled to sell its share of production of Natural Gas, in accordance with the provisions of this Agreement. It shall also be entitled to separate liquids of all Natural Gas produced, and to transport, store, and sell on the local market or for export its share of the separated liquid Hydrocarbons, which shall be considered as Crude Oil for the purposes of sharing between the Parties according to article 16.

21.3.7. For the purposes of this Agreement, the price of the Natural Gas, expressed in Dollars per million BTUs, shall be equal to the actual price determined in the Natural Gas sales agreements, said sales specifically excluding:

a) sales in which the buyer is an Affiliated Company of the seller as well as sales between entities comprising the Contractor, and

b) sales entailing compensation other than payment in freely convertible currency and sales motivated, in whole or in part, by considerations other than economic incentives that are usual in sales of Natural Gas.

For the sales indicated in sections a) and b) above, the price of the Natural Gas shall be determined by mutual agreement between the Government and the Contractor, or between the Contractor and a Third Party based upon the market price at the time of said sales of a substitute fuel for Natural Gas.

21.3.8. In the event that the Contractor wishes to separate from the Natural Gas some or all of the liquid Hydrocarbons according to procedures it determines, the Natural Gas shall be measured after the Contractor separates the liquid Hydrocarbons from the Natural Gas.

ARTICLE 22: PETROCI'S PARTICIPATING INTEREST

22.1. As a result of work previously performed in the Delimited Region, PETROCI, as of the Effective Date, is associated with the entities comprising the Contractor, to share in the Petroleum Operations, at a rate of ten percent (10%) (hereinafter referred to as "**Initial Participating Interest**").

PETROCI, pursuant to and *pro rata* to its Participating Interest, benefits from the same rights and is subject to the same obligations as those of the Contractor defined in this Agreement, subject to the provisions of this article.

22.2. Within the context of the policy of promoting the petroleum industry in the Republic of Côte d'Ivoire defined by the Government, PETROCI shall have the option to increase, within a Production Perimeter, the rate of its participating interest, in accordance with the following provisions:

a) PETROCI shall be entitled to obtain an additional participating interest (hereinafter referred to as "Additional Participating Interest") of two percent (2%) which the Operator cannot refuse.

b) Within four (4) months from the date of granting an exclusive production permit, PETROCI shall notify the other entities comprising the Contractor of its desire to exercise its option to increase its Participating Interest relative to the related Production Perimeter, specifying the percentage of its Additional Participating Interest for said Production Perimeter. If it does not make said notification within four (4) months, PETROCI's participating interest for this Production Perimeter shall remain the same as its Initial Participating Interest.

c) The Additional Participating Interest shall become effective, for the Production Perimeter in question, from the date of notification indicated in article 22.2.b) above.

d) Upon receipt of the written notification from PETROCI, all of the entities comprising the Contractor other than PETROCI shall transfer to PETROCI, immediately and jointly, each *pro rata* to its Participating Interest at that time, a percentage of their participating interest in the Production Perimeter in question, the total of which shall be equal to the percentage of the Additional Participating Interest of PETROCI.

e) As of the date of its Additional Participating Interest, or in the absence of the notification indicated in article 22.2.b), PETROCI:

- shall participate, *pro rata* to its Additional Participating Interest, in the Petroleum Costs relating to the corresponding Production Perimeter, with regard to the relevant exclusive production permit;
- If the permit in question is the first exclusive production permit, as indicated in article 22.2.g) PETROCI shall reimburse the other entities comprising the Contractor the percentage of its Additional Participating Interest in the Petroleum Costs not yet recovered, incurred from the Effective Date up to the date of notification of its Additional Participating Interest, and
- For each subsequent exclusive production permit, as indicated in article 22.2.g), PETROCI shall reimburse the other entities comprising the Contractor the percentage of its Additional Participating Interest in the Petroleum Costs relating to the new Production Perimeter not yet recovered, incurred from the date of notification of the Additional Participating Interest relating to the previous exclusive production permit up to the date of notification of the Additional Participating Interest for the new exclusive production permit.

f) Taking into account the previous work already undertaken in the Delimited Region, PETROCI's Initial Participating Interest shall entail for PETROCI, throughout the duration of this Agreement, neither the financing nor the reimbursement of its share of the Petroleum Costs, which Petroleum Costs are borne and recoverable by the other entities comprising the Contractor, in accordance with articles 16.2, 21.1.5 and 21.2.4, each *pro rata* to its Participating Interest.

Furthermore, PETROCI's Additional Participating Interest shall entail for PETROCI neither a share nor reimbursement *pro rata* to its Additional Participating Interest of the expenses and costs related to carrying its Initial Participating Interest.

g) As indicated in article 22.2.e) PETROCI shall reimburse the other entities comprising the Contractor the amounts due for its Participating Interest, as follows, at PETROCI's option:

- either within six (6) months from the date of notification of the increase in its Participating Interest, by payments in Dollars or through payments in Crude Oil appraised in accordance with the provisions of article 18;
- or in kind, by way of withholding, by the other entities constituting the Contractor, taking a portion of PETROCI's share of Hydrocarbons under Articles 16.3 and 21.3, at a rate of fifty percent (50%) of said share, the value of this portion being calculated in accordance with the provisions of article 18, until the value of these withholdings taken is equal to the remaining balance due plus interest as indicated below. The balance of the remaining amount due upon expiration of the period of six (6) months as indicated above shall accrue interest, from this date until the date of reimbursement, at the annual LIBOR (London Interbank Offered Rate) for Dollar deposits at six (6) months as published electronically by ICE Benchmark Administration Limited for the last business day prior to the date of payment plus one percentage (1) point, compounded annually.

In the event that PETROCI sells all or part of its interest arising from its Additional Participation to a company other than a State-controlled company or body, subject to the association agreement between the entities constituting the Contractor, in accordance with Article 22.3.e), the above

reimbursement will be made in Dollars, within the three (3) months following the actual completion of the sale.

22.3.

a) PETROCI shall not be required to contribute, *pro rata* to its Initial Participating Interest or Additional Participating Interest, to the payment of the bonus defined in article 19 and the budgets defined in article 30, which are payable in full by the other entities comprising the Contractor.

a) The association of PETROCI with the Contractor may not under any circumstances cancel or affect the rights of the other entities comprising the Contractor to use the arbitration clause set forth in article 32, which is not applicable to disputes between the Government and PETROCI but only to disputes between the Government and the other entities comprising the Contractor.

b) PETROCI, on the one hand, and the other entities comprising the Contractor, on the other hand, shall not be jointly and severally liable for the obligations derived from this Agreement, as set forth in article 34. PETROCI shall be individually liable with respect to the Government for its obligations pursuant to this Agreement.

c) Any failure by PETROCI to perform any of its obligations shall not be considered as a breach by the other entities comprising the Contractor, and may not under any circumstances be used by the Government to terminate this Agreement, in accordance with article 37.4, or to initiate the procedure set forth in article 37.3.

d) PETROCI may at any time assign to a company of its choice, controlled by the State, any or all of the rights and obligations derived from the Additional Participating Interest indicated in this article.

22.4. The conditions for PETROCI's Participating Interest and the relations between the entities comprising the Contractor are determined in a Partnership Agreement that shall become effective as of the Effective Date.

ARTICLE 23: FOREIGN EXCHANGE CONTROL

23.1. The Contractor shall be subject to the foreign exchange control regulations of the Republic of Côte d'Ivoire, subject to the provisions of this article.

23.2. The Contractor shall be entitled to retain abroad all currencies from the export sales of Hydrocarbons allocated to it by this Agreement, or transfers, as well as its own equity, loan proceeds and, in general all assets it acquires abroad, and to freely dispose of these foreign currencies or assets to the extent that they exceed the needs of its operations in the Republic of Côte d'Ivoire.

23.3. No restriction shall be imposed on loans abroad and the importation of funds by the Contractor intended for the performance of the Petroleum Operations.

23.4. The Contractor shall be entitled to purchase Ivoirian currency with foreign currencies, and to freely convert to the foreign currencies of its choice all funds it holds in the Republic of

Côte d'Ivoire that exceed its local needs, at exchange rates that shall not be less favourable than those generally applicable to any other buyer or seller of foreign currencies.

23.5. The Contractor shall be entitled to pay directly abroad its suppliers not domiciled in the Republic of Côte d'Ivoire for goods and services that are necessary to perform the Petroleum Operations.

23.6. The provisions of this article 23 apply to the Contractors' subcontractors incorporated abroad as well as their expatriate employees.

23.7. The expatriate employees of the Contractor, or any of its agents, contractors and subcontractors shall be entitled to freely send abroad a portion of their salaries paid in the Republic of Côte d'Ivoire and any investment income earned on these salaries.

ARTICLE 24: CURRENCY UNIT USED FOR BOOKKEEPING

24.1. The accounting records and books relating to this Agreement shall be kept in French and denominated in Dollars. These accounts shall be used in order to determine the amount of Petroleum Costs, gross income, production expenses, net earnings and for preparation of the income declarations of the Contractor; they shall also include the accounts of the Contractor showing the sales of Hydrocarbons pursuant to this Agreement.

For information purposes, the accounts and balance sheets shall also be kept in CFA francs.

24.2. Whenever it is necessary to convert to Dollars the expenses and income denominated in another currency, the exchange rages used shall be equal to the arithmetic average of the daily closing purchase and sale rate for said currency during the month in which the expenses were paid and the income received provided that if the Contractor actually buys or sells a currency using another currency, the Contractor will use the effective exchange rate for the accounting records and books.

In the event of official devaluation or revaluation during a given month, two (2) arithmetic averages shall be applied, the first calculated based upon daily closing purchase and sale rate for the period from the first day of the month up to and including the day of such devaluation or revaluation, the second calculated based upon daily closing purchase and sale rate for the period from the day of such devaluation or revaluation, not inclusive, up to the last day of the month in question.

The exchange rate to be applied for the devaluations indicated in this article shall be the rates published on the Paris exchange market or, in the absence thereof, the rates published by Citibank N.A., New York.

24.3. The original accounting records and books indicated in article 24.1 shall be kept in the Republic of Côte d'Ivoire.

The accounting records and books shall be justified by detailed receipts for revenues and Petroleum Costs.

ARTICLE 25: ACCOUNTING METHOD AND VERIFICATIONS

25.1. The Contractor shall maintain its accounting records and books in accordance with current legislation applicable in the Republic of Côte d'Ivoire and the provisions of the Accounting Procedure indicated in appendix 2 attached hereto, which is an integral part of this Agreement.

25.2. The Government, after informing the Contractor in writing with notice of thirty (30) days, shall be entitled to inspect, examine and verify, through its own agents or by experts of its choice, the accounting records and books related to the Petroleum Operations, and shall have a term of four (4) Calendar Years following the end of each Calendar Year to perform the inspections, examinations or verifications for said Calendar Year and to submit to the Contractor its objections regarding all contradictions or errors detected during the inspections, examinations or verifications.

If the Government fails to submit a claim within the four (4) Calendar Years indicated above, no objection or claim from the Government for the Calendar Year in question shall be allowed.

25.3. At the end of the audit, the Government shall notify the Contractor of the preliminary audit report which shall mention all the points that do not comply with the Agreement. The Contractor then has fifty (50) days from the date of the Government's notice to provide the necessary supporting documents for the preliminary audit reportand, if necessary, the Contractor may obtain additional time that will not exceed thirty (30) days.

At the end of this process, the factors that do not comply with the Agreement and that are retained in the final audit report, will be the subject to accounting adjustments by the Contractor or rectifications, adjustments, or modifications by the Contractor.

<u>ARTICLE 26:</u> IMPORT AND EXPORT

26.1. a) The Contractor shall, in accordance with article 17.7, be entitled to import into the Republic of Côte d'Ivoire, on its behalf and on behalf of its subcontractors, all technical equipment, materials, equipment, machines and tools, devices, automotive vehicles, aircraft, spare parts and consumables, office and computer supplies and equipment, goods and supplies, necessary for the Petroleum Operations.

b) The Contractor shall also be entitled to import into the Republic of Côte d'Ivoire, on its behalf and on behalf of its subcontractors, the furnishings, clothing, household appliances and personal effects of all foreign employees and their family members, assigned to work in the Republic of Côte d'Ivoire on behalf of the Contractor or its subcontractors.

c) Nevertheless, the Contractor and its subcontractors agree to only import the goods indicated in article 26.1.a) insofar as said are not available in the Republic of Côte d'Ivoire at similar quantity, quality, price, payment terms and conditions, subject to special technical requirements or urgency presented by the Contractor, its agents, contractors or its subcontractors.

d) The Contractor, its agents, contractors and subcontractors, shall be entitled to re-export from the Republic of Côte d'Ivoire, free of all duties and taxes, at any time, all items imported according to articles 26.1 a) and 26.1 b) that are no longer necessary for the Petroleum Operations in accordance with the provisions of article 20.

26.2. All of the imports indicated in article 26.1 that the Contractor, its agents, contractors and subcontractors, their foreign employees and their family members are entitled to perform in one or more shipments to the Republic of Côte d'Ivoire, shall be fully exempt from all duties and taxes payable at entry.

The applicable administrative formalities, accordingly, shall be those of the following systems:

a) Exceptional temporary admission system, suspending all entry duties and taxes for the materials, equipment, machines and tools, automotive vehicles, goods and supplies necessary for proper performance of the Petroleum Operations, throughout the duration of use in the Republic of Côte d'Ivoire, including the continental shelf, with the understanding that for the materials, equipment, machines and tools, automotive vehicles, goods and supplies consumed during the Petroleum Operations or left on site, clearance of the Exceptional temporary admission shall be automatic upon a simple quarterly declaration and without paying duties and taxes.

In the event of duly justified urgency, the materials, equipment, machines and tools, automotive vehicles, goods and supplies shall be made available to users upon their arrival in the Republic of Côte d'Ivoire, with the administrative formalities relating to their admission being performed thereafter, as soon as possible.

b) Bunkering regime, for consumable products and goods, fuels and lubricants used offshore, especially on vessels, aircraft and oil exploration and production equipment.

c) Duty-free admission according to current legislation in the Republic of Côte d'Ivoire, for furnishings, clothing, household appliances and personal effects.

26.3. Articles other than those indicated in article 26.1 shall be subject to the ordinary laws of the Republic of Côte d'Ivoire.

26.4. The Contractor, its agents, contractors and subcontractors shall be entitled to sell in the Republic of Côte d'Ivoire, subject to notifying the Government in advance of their intent to sell and subject to the provisions of article 20, all equipment, materials, machines and tools, devices, automotive vehicles, spare parts and consumables, office and computer supplies and equipment, goods and supplies that they imported if they are considered to be surplus or are no longer necessary for the Petroleum Operations. In this case, the seller shall be required to pay all applicable duties and taxes as of the date of the transaction and to perform all formalities required by current legislation in the Republic of Côte d'Ivoire.

The Government shall have the preferential right to purchase all of the items listed above at prices and conditions equal to those accepted by Third Parties. This right shall be exercised within a term not exceeding the term accepted by said Third Parties for executing the purchase.

26.5. The Contractor, its clients and their shippers, throughout the term of validity of this Agreement, shall be entitled to freely export, at the point of export selected for this purpose, free of all duties and taxes payable at exit, at any time, the portion of Hydrocarbons to which the Contractor is entitled by virtue of the provisions in articles 16 and 21 of this Agreement.

26.6. All imports and exports made pursuant to this Agreement shall be subject to the formalities and documentation required by the customs authorities, but shall not entail any payment of entry

or exit duties and taxes, subject to the provisions of article 26.3, according to the regime for which the Contractor is eligible pursuant to the provisions of this Agreement.

ARTICLE 27: MAKING CRUDE OIL PRODUCTION AVAILABLE TO MEET NATIONAL DEMAND

27.1. Each Calendar Year, up to a total of ten percent (10%) of the share of Crude Oil production corresponding to the Contractor pursuant to the articles 16.2 and 16.3, shall be sold to PETROCI by the Contractor in order to meet the demand of the domestic market of the Republic of Côte d'Ivoire. Similarly, the Contractor will sell to PETROCI a total of up to ten percent (10%) of the Contractor's share of Natural Gas production under Articles 21.1.5, 21.2.4 and 21.3.1 to meet the needs of Republic of Côte d'Ivoire's internal market.

The contribution of the Contractor shall be proportional to its share of production, as defined in articles 16.2, 16.3, 21.1.5, 21.2.4 and 21.3.1, in relation to the total production of Crude Oil and Natural Gas in the Republic of Côte d'Ivoire.

The quantity of Crude Oil and Natural Gas that the Contractor shall be required to sell to PETROCI shall be notified to it by PETROCI at least three (3) months before the start of each Calendar Quarter.

27.2. The price of the Crude Oil sold to PETROCI under article 27.1 to meet the demand of the domestic market shall be equal to seventy-five percent (75%) of the Market Price defined in article 18.

The price of the Natural Gas sold to PETROCI under article 27.1 to meet the demand of the domestic market shall be equal to seventy-five percent (75%) of the Market Price defined in article 21.3.7.

The twenty-five percent (25%) allowance on the price of the Crude Oil and that of the Natural Gas sold to PETROCI to meet domestic demand shall be deemed to be Petroleum Costs and recoverable in accordance with article 16.2, 21.1.5 and 21.2.4.

27.3. The price of this Crude Oil and Natural Gas shall be payable to the Contractor, in CFA francs, two (2) months after receipt of the invoice, unless otherwise agreed between the Parties.

For the purpose of converting the Dollars into CFA francs, PETROCI will use the exchange rate specified according to the procedure provided in article 24.2.

ARTICLE 28: TRANSFER OF TITLE TO THE HYDROCARBONS AND LIFTING

28.1. The transfer of title and risks to the share of production of Hydrocarbons corresponding to each Party shall occur at the Point Of Delivery of the Natural Gas or at the Point of Transfer of the Crude Oil.

The Contractor shall not become the owner of the Hydrocarbons before this Point of Transfer of the Natural Gas or Crude Oil but it shall contract all insurance necessary in order to cover

any damage, loss or liability that may occur before the Point of Transfer of the Natural Gas or Crude Oil caused by the Contractor, its agents and its subcontractors.

28.2. The Government and the Contractor shall have the right and obligation, subject to the provisions of articles 16, 21 and 27.1, to lift and control the share of Hydrocarbons corresponding to it pursuant to this Agreement.

This share shall be lifted on as regular a basis as possible, with the understanding that each of the Parties, within reasonable limits, shall be authorised to lift more (overlift) or less (underlift) than its share of Hydrocarbons produced and not lifted on the day of lifting, provided that this overlift or underlift does not affect the rights of the other Parties and that it is compatible with the production rates and storage capacity.

In establishing the order of lifting, priority shall be given to the Party with the greatest quantity of Hydrocarbons produced and not lifted at a given time.

The Parties shall periodically meet to establish a provisional lifting program based upon the principles described above, taking into account the wishes of the Parties with regard to the dates and quantities of their liftings, insofar as their wishes are compatible with these principles.

Before the start of production in the Delimited Region, the Parties shall enter into a lifting agreement consistent with the principles expressed in this article.

ARTICLE 29: PROTECTION OF RIGHTS

29.1 The Contractor shall take all reasonable measures necessary to perform its obligations pursuant to this Agreement. It shall be held liable in accordance with the applicable laws and regulations of the Republic of Côte d'Ivoire with respect to any damage or loss which the Contractor, its employees, contractors, subcontractors or agents and their employees may cause to Third Parties, to the property or rights of other persons, due to or as a result of the Petroleum Operations.

29.2. The Government shall take all reasonable measures to facilitate the implementation by the Contractor of the objectives of this Agreement and protect the Contractor, the Contractor's assets and operations, and its employees and subcontractors in the Republic of Côte d'Ivoire.

29.3. Upon a duly justified request from the Contractor, the Government shall prohibit the construction of residential or commercial buildings near the facilities that the Contractor may declare to be hazardous as a result of its operations. It shall take the necessary precautions to prohibit mooring near pipelines submerged under river crossings, and to prohibit all interference with the use of any other facility necessary for the Petroleum Operations, both onshore and offshore.

29.4. The Contractor shall carry, and ensure that its contractors and subcontractors carry, for the Petroleum Operations, all insurance in the type and amounts in customary use in the international petroleum industry, especially third party liability insurance and insurance covering damage to the property, facilities, equipment and materials, notwithstanding other insurance that may be required according to Ivoirian legislation.

The Contractor shall provide the Government with proof of carrying the insurance indicated above. The insurance must be contracted from highly regarded insurance companies.

29.5. In the event that the Government may be held liable due to or as a result of the Petroleum Operations, the Contractor shall indemnify and hold the Government harmless from any claim, loss or damage whatsoever caused by or as a result of the Petroleum Operations to the extent that it is finally determined pursuant to applicable law, provided that said claims, losses or damage are not due in whole or in part to an action by the Government.

ARTICLE 30: PERSONNEL, TRAINING, EQUIPMENT AND SOCIAL WORK

30.1. The Contractor, for performing the Petroleum Operations, shall give priority to employing domestic labour from the Republic of Côte d'Ivoire, in accordance with the provisions after this article 30.1.

Non-Ivorian directors, technicians, engineers, accountants, geologists, geophysicists, scientists, chemists, drillers, foremen, mechanics, skilled labourers, secretaries and supervisors may only be hired by the Contractor outside of the Republic of Côte d'Ivoire if Ivoirian specialists with the same qualifications cannot be hired within the country or abroad, transferred from PETROCI or the petroleum administration.

Within ninety (90) days of the granting of an exclusive production permit, the Contractor shall submit a plan for the "Ivoirization" of its personnel to the Government for approval, and which shall be financed by the Contractor once approved.

For this purpose, the Contractor shall employ at least seventy percent (70%) of Ivoirian personnel no later than the anniversary date of the start of commercial production, at least eighty (80%) three (3) years after the start of commercial production, and at least ninety (90%) five (5) years after the start of commercial production.

If one of these objectives is not met, the Government may require the Contractor, excluding PETROCI, to establish a training program in order to achieve the targets stipulated above. Said training program shall be allocated an annual amount of not less than five hundred thousand Dollars (US$ 500,000), not recoverable as Petroleum Costs, and shall be submitted to the Government for approval.

30.2. Furthermore, the Contractor, excluding PETROCI, as of the Effective Date, shall fund a training program for the Ivoirian nationals. Said program shall cover all of the Petroleum Operations, from exploration through production, especially including but not limited to preparatory studies for the installation and performance of work (such as the geophysical campaign, drilling, production tests, development of a field) and the negotiation of contracts.

For the purposes of this article 30.2, "Ivorian nationals" means the Ivorian administration personnel in charge of hydrocarbons, the scholarship students of the ministry that is responsible for Hydrocarbons and PETROCI personnel.

For this purpose, the Contractor, excluding PETROCI, shall pay the Government a minimum annual training budget of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

No more than fifteen percent (15%) of the training budget shall be allocated to the executive management responsible for Hydrocarbons and the cabinet office of the ministry that is responsible for Hydrocarbons, for the participation by their staff in domestic or international conferences, seminars and missions (as well as their participation in their organisation) and for the carrying out of studies, in relation to the missions of the ministry that is responsible for Hydrocarbons.

30.3. The Contractor, except for PETROCI, agrees to pay the Government an annual budget for performing social works such as the construction of health care infrastructure (medical clinics, dispensaries, hospitals, health care centres, medical equipment or materials, etc.), educational infrastructure and social initiatives, for a minimum amount of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

30.4. The Contractor, except for PETROCI, also agrees to pay the Government an annual budget for the purchase, by the Government, of equipment, material, consumables and services, in a minimum annual amount of:

a) one-hundred and fifty thousand Dollars (US$150,000) in the exploration period and
b) six-hundred thousand Dollars (US$ 600,000) in the production period.

The annual equipment budget is aimed primarily at petroleum administration equipment and that of the ministry responsible for Hydrocarbons.

No more than fifteen percent (15%) of the training budget shall be allocated to the executive management responsible for Hydrocarbons and the cabinet office of the ministry that is responsible for Hydrocarbons, for the participation by their staff in domestic or international conferences, seminars and missions (as well as their participation in their organisation) and for the carrying out of studies, in relation to the missions of the ministry that is responsible for Hydrocarbons.

30.5. For the purposes of applying articles 30.2, 30.3 and 30.4, the Operator shall fund, from the first two weeks of each Calendar Year and for the first exploration period, no later than two (2) months after the date this Agreement is signed, the annual training, social welfare and equipment budgets, upon the Government Representative's written request including the details of the financing or expenses. The three (3) training, equipment and social welfare budgets are due in full for each Contractual Year including the years in which this Agreement was signed and terminated.

The training expenses and those related to social works and equipment and materials borne by the Contractor, other than PETROCI, will be treated as recoverable Petroleum Costs.

The unused annual training, equipment and social works budgets are carried forward to the next Calendar Year. At the end of each exploration period, the Operator shall, following instructions from the Government, transfer all the balances of the budgets to accounts designated for this purpose.

30.6 Foreign personnel employed by the Contractor, its agents and its subcontractors for the Petroleum Operations shall be authorised to enter the Republic of Côte d'Ivoire. The Government shall facilitate issuance of the administrative documents necessary for said personnel and their family members to enter and stay in the Republic of Côte d'Ivoire.

30.7. All employees required for conducting the Petroleum Operations shall be under the authority of the Contractor or its agents, contractors and subcontractors, in their capacity as employers. Their work, number of hours, wages, and all other conditions of their employment shall be determined by the Contractor or its agents, contractors and subcontractors, in accordance with legislation in force in the Republic of Côte d'Ivoire and the Best Industry Practice in the international petroleum industry. The Contractor, however, shall be free to select and assign its personnel, subject to the provisions of article 30.1.

ARTICLE 31: ACTIVITY REPORTS RELATED TO EXCLUSIVE PRODUCTION PERMITS

31.1. The provisions of article 11 shall apply, *mutatis mutandis,* to exclusive production permits. Furthermore, the following periodic activity reports shall be provided to the Government for each Field:

a) daily production reports, and

b) monthly reports indicating the quantities of Hydrocarbons produced and sold during the past month and the information on these sales in accordance with article 18.5.

Unless the Contractor consents in writing, the information on a Production Perimeter, with the exception of activity statistics, shall, in accordance with article 8.4 above, be considered by the Parties to be confidential throughout the duration of this Agreement.

31.2. The Contractor shall notify the Government as soon as possible of any significant damage of any type to the oil fields or facilities, and shall take all reasonable measures necessary to resolve it and make the necessary repairs.

31.3. As of the date of granting an exclusive production permit, the annual reports indicated in article 8.2 shall also contain the following:

a) information on all development and production operations performed during the past Calendar Year, including the quantities of Hydrocarbons produced and sold, if applicable;

b) information on all transportation operations and sales, as well as the location of the principal facilities constructed by the Contractor, if applicable, and

c) a statement indicating the number of employees and operations, with their qualifications, nationality, their given name and surnames, their number and employment start date.

ARTICLE 32: ARBITRATION

32.1. In the event of a dispute between the Government and the Contractor regarding or arising from this Agreement, the Parties shall endeavour to resolve this dispute amicably.

If, within ninety (90) days from the date of notification from one Party to the other of the dispute, the Parties are unable to resolve the dispute, it shall be submitted, at the request of the first Party to do so, to an arbitration procedure made up of three (3) arbitrators, in accordance with the applicable Arbitration Rules of the ICC.

No arbitrator shall be a national of the countries of origin of the Parties.

32.2. The place of arbitration shall be Paris (France). The language used in the proceedings shall be French, and the applicable law shall be Ivoirian law and in accordance with Best Industry Practice.

The award issued by the arbitral tribunal shall be definitive, binding upon the Parties and immediately enforceable.

The Parties formally and without reservation waive any right to attack such award, to impede its recognition and its execution by any means whatsoever.

32.3. The arbitration expenses shall be paid by the Parties according to ICC rules.

Performance by the Parties of their obligations arising out of this Agreement shall not be suspended during the period of arbitration.

32.4. The parties agree that this article will remain effective after the end of this Agreement.

ARTICLE 33: FORCE MAJEURE

33.1. No delay or failure by one Party in performing any of the obligations arising out of this Agreement shall be considered as a breach of said Agreement if this delay or failure is due to an event of Force Majeure.

33.2. In accordance with the terms of this Agreement, "**Force Majeure**" means any unforeseeable, unavoidable event that is beyond the control of a Party, which impedes, delays or prevents that Party from fulfilling its obligations under this Agreement and includes but is not limited to earthquakes, floods, accidents, strikes, lock-outs, riots, delays in obtaining rights of way, insurrections, civil disorder, sabotage, acts of war or circumstances attributable to war, acts of terrorism or any other cause beyond its control, similar to or different than those mentioned above.

In the event of a conflict in interpretation or an event of Force Majeure not listed above, the term "Force Majeure" shall be interpreted as closely as possible according to the principles and practices in the international petroleum industry, as well as the law of the Agreement.

If, following an event of Force Majeure, the performance of any of the obligations of this Agreement is deferred, the duration of the resulting delay, extended by the time that may be necessary to overcome the Force Majeure and to resume the Petroleum Operations, shall be added to the term indicated in this Agreement for performing said obligation, and the exclusive exploration,appraisal or production permits shall be protected accordingly with respect to the region affected by the Force Majeure.

33.3. When one Party believes that it is prevented from performing any of its obligations due to an event of Force Majeure, it must immediately notify the other Party, specifying the information such as to establish the Force Majeure, and shall take, in agreement with the other Party, all useful, necessary and reasonable steps to allow it to resume normal performance of the obligations affected upon cessation of the event constituting Force Majeure.

The obligations other than those affected by the Force Majeure shall continue to be performed in accordance with the provisions of this Agreement.

33.4. If a situation of Force Majeure continues for a period of twelve (12) months from the date of notice in accordance with article 33.3, the Contractor may, upon at least ninety (90) days written notice to the Government, terminate the Agreement.

ARTICLE 34: JOINT AND SEVERAL OBLIGATIONS AND WARRANTIES

34.1. All clauses, conditions and provisions of this Agreement shall be mandatory for the Parties and their respective successors and assigns. This Agreement constitutes the entire agreement between the Parties and no prior communication, promise or agreement, whether verbal or written, between the Parties relative to the subject of this Agreement may be invoked in order to amend the clauses hereof.

The Government certifies and warrants that there is no other agreement in effect concerning the petroleum rights of the Delimited Region, that it shall correctly and faithfully discharge its obligations, and this Agreement shall not be cancelled, amended or changed without the approval of the Parties.

34.2. Save for the contrary provisions in article 22.3.c), when the Contractor is composed of several entities, the obligations and liability of such entities by virtue of this Agreement shall be joint and several, it being understood that the Contractor shall not be jointly and severally liable for the income tax set forth in article 17.

34.3. The entities constituting the Contractor, its parent company or Affiliated Companies specficially BP Explorating Operating Company and Kosmos Energy Operating shall submit to the Government, for approval, within sixty (60) days running from the Effective Date an undertaking guaranteeing proper performance under the terms of the proper performance undertaking contained in Appendix 4.

ARTICLE 35: ASSIGNMENT RIGHTS

35.1. Subject to the written consent of the Government, which shall not be unreasonably withheld, with the exception of the provisions of article 22.3.e), the rights and obligations arising out of this Agreement may be assigned by any of the entities comprising the Contractor, in whole or in part, to Third Parties with a well-established technical and financial reputation.

The said Third Party assignees shall, together with the other entities that constitute the Contractor be jointly and severally liable for the obligations arising out of this Agreement.
The conditions for all assignments and for joint and several ownership shall be approved in advance by the Government.

If, within sixty (60) days following notification to the Government of a planned assignment, accompanied by all related information, and a draft of the assignment instrument, it has not notified its decision, this assignment shall be deemed to be approved by the Government.

As of the date of approval of an assignment, the assignee shall be bound by the terms and conditions of this Agreement, and in the event of full assignment, the assignor will no longer be bound by the terms and conditions of this Agreement.
Every assignment of rights or interests to Third Parties is subject to the payment of a transfer fee that is set in accordance with the law in force in the Republic of Côte d'Ivoire.

The fees that are fixed for this purpose, in accordance with article 17.7, will be borne by the assignee who must pay them within thirty (30) days following the date on which the transfer was approved.

35.2. Save for the provisions in article 22.3.e), the joint and several rights and obligations arising out of this Agreement may be freely assigned at any time, in whole or in part, by any of the entities comprising the Contractor to one or more Affiliated Companies, or to the other entities comprising the Contractor.

The Contractor shall notify the Government of said assignments before the effective date thereof and, if applicable, the provisions of article 34.2 shall be applicable.

35.3. The assignments made in violation of the provisions of this article are null and void.

ARTICLE 36: APPLICABLE LAW AND STABILITY OF CONDITIONS

36.1. The laws and regulations in effect in the Republic of Côte d'Ivoire and Best Industry Practice shall be applicable at all times to the Contractor, this Agreement and the operations it covers.

36.2. This Agreement is entered into by the Parties in accordance with the laws and regulations in effect at the time of execution and in relation to the provisions of said laws and regulations, especially with regard to its economic, tax and financial provisions.

As a result, in the event that (i) subsequent laws and regulations modify the provisions of laws and regulations in effect at the time of executing this Agreement or (ii) there is a change in the interpretation or application of any law, decree or regulation in the Republic of Côte d'Ivoire by a judicial, arbitral or administrative authority, and such modifications or changes entail a material change in the respective economic situation of Parties according to the current provisions of said Agreement, the Parties shall use their best endeavours to reach in good faith an agreement to change such provisions as necessary so as to re-establish the economic equilibrium of the Agreement as established at the time of execution of this Agreement. This provision applies mutatis mutandis to any case involving an international binding instrument applicable in the Republic of Côte d'Ivoire.

If, despite their efforts, the Parties cannot reach an agreement, the provisions of article 32 above may be applied.

36.3. The Parties agree that (i) the Petroleum Code establishes a special regime for oil companies and (ii) the Contractor may conduct the Petroleum Operations in accordance with Article 8 of the Petroleum Code.

ARTICLE 37: PERFORMANCE OF THE AGREEMENT

37.1. The Parties agree to cooperate in all manners possible in order to achieve the objectives of this Agreement.

For this purpose, a coordination committee ("**Coordination Committee**") composed of the Government, PETROCI and the Operator will be set up. This Coordination Committee will meet at least one (1) time during the Calendar Year and whenever necessary upon the justified request by one (1) of its members. The proposed agenda must accompany this request.

The Coordination Committee shall be chaired by the Government.

The Coordination Committee shall be a framework for information of the Government, by the Operator on the budgets, programs and performance of work and contractual obligations in the Delimited Region.

The Government shall facilitate the performance of activities by the Contractor by granting it all permits, licenses and rights necessary to perform the Petroleum Operations, and by making available to it all appropriate services and facilities, so that the Parties may get the most profit out of genuine cooperation. Nevertheless, the Contractor is required to comply with applicable procedures and formalities of the appropriate government departments.

37.2. All notifications or other communications referring to this Agreement shall be made in writing and shall be addressed to an authorised representative of the Party in question at the principal place of business in the Republic of Côte d'Ivoire of said Party by:

a) prepaid registered letter,
b) cable or telegram
c) telex or fax with acknowledgement of receipt, or
d) hand delivery with signed receipt.

Notifications shall be considered to be made on the date of receipt by the addressee.

37.3. If the Government believes that the Contractor has breached any of its obligations under this Agreement, it shall notify the Contractor to this effect in writing and the Contractor shall have sixty (60) days to remedy or submit the issue to arbitration in accordance with the provisions of article 32 of this Agreement.

37.4. Breach by the Contractor with regard to observing the provisions of this Agreement may result in termination of this Agreement by the Government, after notifying Contractor in accordance with the provisions of article 37.3, with the understanding that such termination shall not be declared if the Contractor has begun to remedy the breach after notifying the Government of the measures taken for this purpose or if the issue is submitted to arbitration in accordance with the provisions of article 32.

In the event of bankruptcy entailing liquidation of one of the entities comprising the Contractor, the rights of said entity pursuant to this Agreement shall immediately lapse and the other entities comprising the Contractor may assume the percentage of said entity's share in accordance with the joint venture agreement, and its obligations pursuant to this Agreement. In the event that the entity in liquidation is the Operator, the Government may terminate this Agreement if the new Operator appointed by the other entities which compose the Contractor does not fulfil the technical and financial capacities.
The termination of this Agreement shall not release the Contractor from its obligations created before or at the time of the termination.

37.5. The terms and conditions of this Agreement may only be amended if done in writing and by mutual agreement between the Parties.

37.6. Unless otherwise arranged or decided in writing, the Government will be represented by the Director General of Hydrocarbons in accordance with the terms of this Agreement. In this regard, the Director General of Hydrocarbons shall give, in the name and on behalf of the Government, all consents that may be necessary or appropriate for performance of the Agreement and will receive all notices on behalf of the Government under this Agreement. The Director General of Hydrocarbons shall also provide all reasonable assistance to the Contractor with respect to its activities in the Republic of Côte d'Ivoire.

37.7. The headings appearing in this Agreement were inserted for ease of reading and reference and in no way define, limit or describe the scope or purpose of the Agreement or any of its clauses.

37.8. Appendices 1, 2, 3, 4 and 5 attached hereto are an integral part of this Agreement.

37.9. Any waiver by the Government of the performance of an obligation of the Contractor shall be made in writing and signed by the representative of the Government, and no waiver may be considered as implicit if the Government waives asserting any of the rights conferred to it by this Agreement.

ARTICLE 38: EFFECTIVE DATE

After being signed by the Parties, this Agreement shall become effective. The date of signature is designated as the Effective Date, thereby making said Agreement binding upon the Parties.

IN WITNESS WHEREOF, the Parties signed this Agreement in 7 (seven) originals.

Done in Abidjan, this 21 December 2017 ("Effective Date")

FOR THE REPUBLIC OF COTE D'IVOIRE

The Secretary of State with the Prime Minister, responsible for State Budget and Portfolio	The Minister of Economy and Finance	The Minister of Petroleum, Energy and the Development of Renewable Energy
/s/ Moussa Sanogo	**/s/ Adama Kone**	**/s/ Thierry Tanoh**
Moussa SANOGO	**Adama KONE**	**Thierry TANOH**

FOR THE CONTRACTOR

PETROCI HOLDING	KOSMOS	BP
/s/ Ibrahima Diaby	**/s/ Brian F. Maxted**	**/s/ Andrew Mcauslan**
Dr. Ibrahima DIABY	**Brian F. MAXTED**	**Andrew MCAUSLAN**
Director General	**Chief Exploration Officer**	**Head of Business Development**

APPENDIX 1

Attached to and forming an integral part of this Agreement by and between the Republic of Côte d'Ivoire and the Contractor.

1.1 DELIMITED REGION

As of the Effective Date, the Delimited Region, referred to as Block CI-708 is composed of the area within the perimeter formed by the points bw, 17D, 98GI', 14I, 13E and 12AL indicated on the attached map.

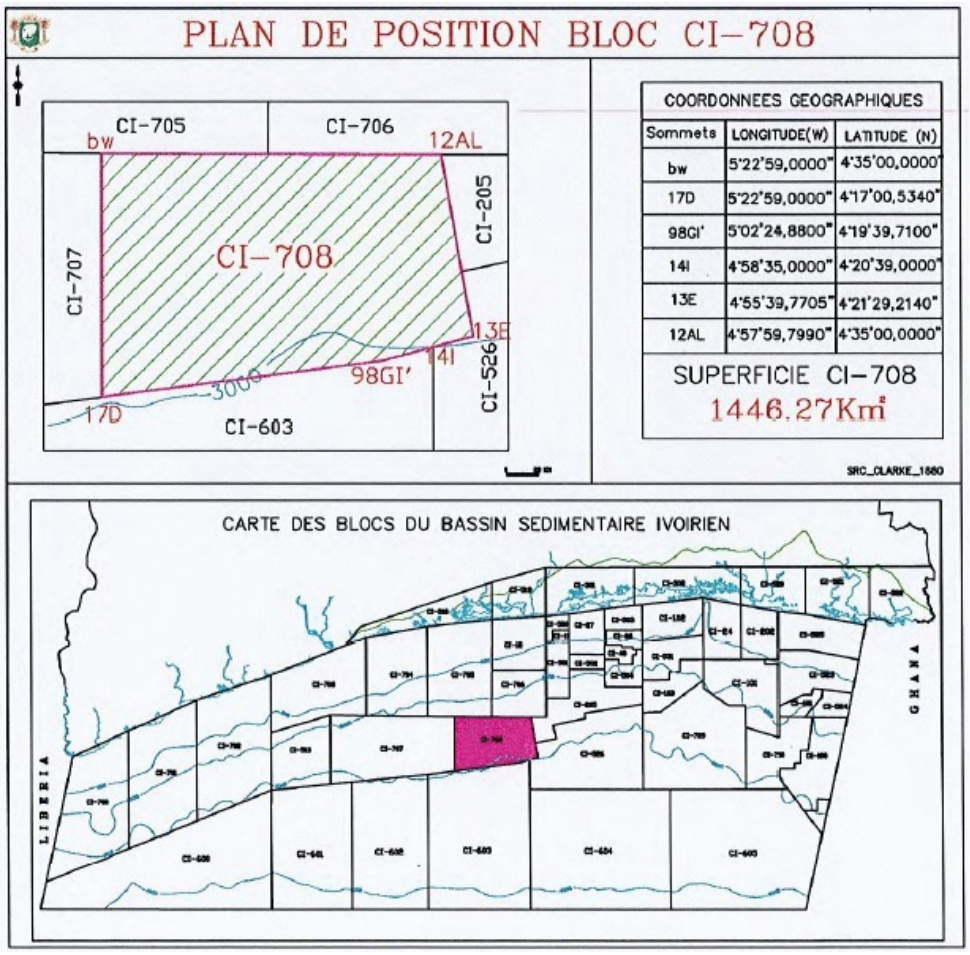
The geographical coordinates of these points are as follows, in relation to the Greenwich meridian:

Point	Longitude (W)	Latitude (N)
bw	5°22'59,0000"	4°35'00,0000"
17D	5°22'59,0000"	4°17'00,5340"
98GI'	5°02'24,8800"	4°19'39,7100"
14I	4°58'35,0000"	4°20'39,0000"
13E	4°55'39,7705"	4°21'29,2140"
12AL	4°57'59,7990"	4°35'00,0000"

The topographical reference system is CLARKE 1880 ellipsoid and the datum is Abidjan 1987.

The area of the Delimited Region defined above is considered to be equal to approximately one thousand four hundred forty-six decimal twenty-seven (1,446.27 km²) square kilometres.

1.2 MAP OF THE DELIMITED REGION



APPENDIX 2

Attached to and forming an integral part of this Agreement by and between the Republic of Côte d'Ivoire and the Contractor.

ACCOUNTING PROCEDURE

Article 1. GENERAL PROVISIONS

1.1. Purpose
This Accounting Procedure shall be followed and observed in performing the obligations under the Agreement to which this Appendix is attached.

1.2. Accounts and statements
The accounting records and books of the Contractor shall comply with legislation, and be kept according to the General Business Accounting Plan in effect in the Republic of Côte d'Ivoire. Nevertheless, the Contractor may apply the accounting rules and procedures in practice in the international petroleum industry to the extent that they are not contrary to the above-mentioned legislation and plans.

In accordance with the provisions of article 24 of the Agreement, the accounts, books and records shall be kept in French and denominated in Dollars. These accounts shall be used specifically in order to determine the amount of Petroleum Costs, the recovery of said costs, the production sharing, as well as for filing the income declarations of the Contractor. For information purposes, the accounts and balance sheets shall also be kept in CFA francs.

The Contractor shall record all activity related to the Petroleum Operations in separate accounts from those related to any other activities that may be performed in the Republic of Côte d'Ivoire.

All accounts, books, records and statements, as well as the supporting documents for expenses incurred, such as invoices and service contracts, shall be retained in the Republic of Côte d'Ivoire so that they may be produced if so requested by the appropriate Ivoirian authorities.

1.3. Interpretation
Unless otherwise provided in this Accounting Procedure, the definitions of the terms appearing in this Appendix 2 shall be the same as the corresponding terms appearing in the Agreement.

In the event of a conflict between the provisions of this Accounting Procedure and the Agreement, the Agreement shall prevail.

1.4. Modifications
The provisions of this Accounting Procedure may be amended by mutual agreement of the Parties.

1.5. Definitions
The terms used in this Accounting Procedure are defined as follows:

a) Development Expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations relative to a Production Perimeter excluding Production Expenses and Financial Expenses

b) Appraisal Expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations relative to an Appraisal Perimeter.

c) Production Expenses are all costs and expenses borne and paid by the Contractor for producing and maintaining the wells, equipment and related facilities relative to a Field from the start of production of said Field. The Production Expenses shall also include all costs and expenses borne and paid by the Contractor for producing and maintaining the pipelines, generators, warehouses, pools and other facilities that the Contractor acquires, builds or installs in accordance with the provisions of article 7.2. of the Agreement for performing the Petroleum Operations.

d) Exploration expenses means all costs and expenses borne and paid by the Contractor for performing the Petroleum Operations (especially including the costs and expenses indicated in article 2.2.13 of this Accounting Procedure), excluding Appraisal Expenses, Development Expenses, Production Expenses, Financial Expenses, Overheads in the Republic of Côte d'Ivoire and Overheads Abroad.

e) Financial Expenses means the interest and fees indicated in article 2.2.10 of this Accounting Procedure.

f) Overheads in the Republic of Côte d'Ivoire means the costs and expenses indicated in article 2.2.2 of this Accounting Procedure.

g) Overheads Abroad means the costs and expenses indicated in article 2.2.3 of this Accounting Procedure.

Article 2. PETROLEUM COSTS

2.1. Petroleum Costs Account

The Contractor shall keep a "**Petroleum Costs Account**" to record in detail the expenses incurred and effectively paid by the Contractor in relation to the Petroleum Operations performed pursuant to this Agreement, which shall be recoverable in accordance with the provisions of articles 16 and 21 of the Agreement. Recovery of the Petroleum Costs will be on the basis of the expenses incurred and effectively paid.

In particular, this Petroleum Costs Account shall separately indicate, by Appraisal Perimeter or Production Perimeter, if applicable, the following expenses:

a) the Exploration Expenses;
b) the Appraisal Expenses;
c) the Development Expenses;
d) the Production Expenses;
e) the Financial Expenses;
f) the Overheads in the Republic of Côte d'Ivoire;
g) the Overheads abroad;

h) the abandonment reserve funds:
i) national needs, and
j) training, equipment and social works expenses.

The Petroleum Costs Account shall allow, among others, the following to be identified at any time:

a) the total amount of Petroleum Costs since the Effective Date;

b) the total amount of Petroleum Costs recovered;

c) the total amount credited to the Petroleum Costs Account pursuant to article 2.4.b) of this Accounting Procedure, and

d) the total amount of Petroleum Costs still to be recovered.

For the purposes of application of articles 16 and 21 of the Agreement, the Petroleum Costs shall be recovered according to the following order of priority:

a) production expenses of a Field incurred and effectively paid from the start date of regular production;

b) financial expenses, and

c) other Petroleum Costs.

Furthermore, in each of the categories indicated above, the costs shall be recovered in the order in which they are incurred and effectively paid.

Notwithstanding any provisions to the contrary in this Accounting Procedure, the intent of the Parties is to not duplicate any credit or debit in the accounts maintained pursuant to the Agreement.

2.2. Debits posted to the Petroleum Costs Account
The following expenses and charges shall be posted as debits in the Petroleum Costs Account:

2.2.1. Personnel Expenses
All payments made to cover the salaries and wages of the employees of the Contractor directly assigned in the Republic of Côte d'Ivoire, on a temporary or permanent basis, to the Petroleum Operations performed pursuant to this Agreement, including statutory and welfare costs and all additional charges or expenses set forth in individual or collective agreements or according to the internal administrative regulations of the Contractor.

2.2.2. Overheads in the Republic of Côte d'Ivoire
Fees and salaries of personnel of the Contractor working in the Republic of Côte d'Ivoire on the Petroleum Operations whose work time is not directly assigned to the programs, as well as the costs of maintaining and operating a general and administrative office and auxiliary offices in the Republic of Côte d'Ivoire necessary for the Petroleum Operations.

2.2.3. Overheads abroad

The Contractor shall add a reasonable amount for overhead paid abroad, related to performing the Petroleum Operations by the Contractor and its Affiliated Companies, such amounts representative of the estimated cost of services performed for said Petroleum Operations and corresponding to actual services performed abroad by the Contractor or its Affiliated Companies.

Overheads abroad includes part of the salaries and wages paid to staff residing abroad as well as a portion of general administrative costs for central services located abroad.

The amounts allocated shall be provisional amounts determined based upon the experience of the Contractor, and shall be adjusted annually according to the actual costs borne by the Contractor.

Nevertheless, the overheads paid abroad shall only be allocated within the following limits:

a) before granting an exclusive production permit: five percent (5%) of the expenses allocated to the Petroleum Costs Account excluding overhead for the Calendar Year in question;

b) as of the time of granting the first exclusive production permit: three percent (3%) of the expenses allocated to the Petroleum Costs Account excluding bonuses and overhead for the Calendar Year in question.

2.2.4. Buildings
Expenses for construction, maintenance and related costs, as well as rent paid for all offices, homes, warehouses and other types of buildings, including housing and recreation centres for employees, and the cost of equipment, furnishings, fittings and supplies necessary to use these buildings as required for the needs of the Petroleum Operations.

2.2.5. Materials, Equipment and rent
Costs of equipment, materials, machines, articles, supplies and facilities purchased or supplied for use in the Petroleum Operations, as well as rent or compensation paid or incurred for the use of all equipment and facilities necessary for the Petroleum Operations, including the facilities exclusively owned by the Contractor.

2.2.6. Transportation
Transportation of personnel, equipment, materials and supplies, within the Republic of Côte d'Ivoire and between the Republic of Côte d'Ivoire and other countries, necessary for the Petroleum Operations.

The personnel transportation costs include the expenses for transferring employees and their family, paid by the Contractor, in accordance with the policy established by the Contractor.

2.2.7. Services Rendered
Expenses for services rendered by subcontractors, consultants, expert advisors and public utilities, as well as all costs related to services rendered by the Government or any other authorities of the Republic of Côte d'Ivoire.

The expenses for services rendered by Affiliated Companies, provided that these costs do not exceed those that would normally be charged by independent companies for the same or similar service taking into account the quality and availability of those services.

2.2.8. Insurance and claims

Premiums paid for insurance that must normally be carried for the Petroleum Operations which must be performed by the Contractor pursuant to the Agreement, as well as all expenses incurred and paid to settle all losses, claims, compensation and other expenses, including those for legal services not recovered by the insurance carrier and those derived from court decisions.

If after approval by the Government no insurance is carried, all expenses paid by the Contractor to settle all losses, claims, compensation, legal judgments and other expenses.

2.2.9. Legal expenses

All expenses relative to conducting, examining and settling disputes or claims arising from the Petroleum Operations, or those necessary for defending or recovering assets acquired in performing the Petroleum Operations, especially including discovery or investigation fees, court fees and amounts paid to settle or resolve such disputes or claims.

If such measures must be conducted by Contractor's legal personnel, reasonable remuneration will be included in the Petroleum Costs, which shall not exceed the cost of the same or similar service normally performed by an independent company.

2.2.10 Financial expenses

All interest and fees the Contractor pays in respect of loans contracted from Third Parties and advances obtained from Affiliated Companies, to the extent that such loans and advances are allocated solely to the financing of a Field's Development Expenses, and do not exceed seventy-five percent (75%) of the total amount of these Development Expenses.

These loans and advances shall be submitted for administration approval under the conditions provided in article 72.3 of the Petroleum Code, except as otherwise provided in article 17.4.c) of this Agreement.

Where the financing has been provided by Affiliated Companies, the eligible interest rates must not exceed the rates normally used in the international financial markets for similar loans.

2.2.11. National needs

The discount of twenty-five percent (25%) conceded to PETROCI on sales of Crude Oil and Natural Gas to meet national needs in accordance with article 27.2 of the Contract.

2.2.12. Training expenses, social services and provision of equipment and materials

All expenses and costs incurred under article 30 of this Agreement.

2.2.13. Other expenses

All expenses borne and paid by the Contractor for the necessary and correct performance of the Petroleum Operations within the context of the Annual Work Programs and approved Budgets, with the exception of expenses covered and paid by the foregoing provisions in this article and the expenses excluded from the Petroleum Costs.

These other expenses include, in particular, foreign exchange losses actually incurred by the Contractor in performing the Petroleum Operations.

2.3. Expenses not attributable to the Petroleum Costs Account

The expenses that are not related to performing the Petroleum Operations, and the expenses excluded according the provisions of the Agreement or this Accounting Procedure and by the Petroleum Code and its implementing decree, are not attributable to the Petroleum Costs Account and thus are not recoverable.

These expenses notably include:

a) the expenses relative to the period prior to the Effective Date save for the provisions in article 16.7;

b) all expenses relative to the Operations performed beyond the Point of Delivery, such as transportation and marketing expenses;

c) the financial expenses relative to financing the Petroleum Exploration Operations, and those relative to the portion of financing the Development Expenses exceeding seventy-five percent (75%) of the total amount of the Development Expenses;

d) the bonuses defined in article 19 of this Agreement.

e) foreign exchange losses other than those indicated in article 2.2.13 of this Accounting Procedure.

Furthermore, the charges indicated in articles 17.4.d), and 17.4.g) of this Agreement, although deductible from net profits for purposes of the industrial and commercial income tax, cannot be chargeable to the Petroleum Costs Account due to how they are defined.

2.4. Credits posted to the Petroleum Costs Account

The following revenue and income shall specifically be credited to the Petroleum Costs Account:

a) revenue derived from selling the quantity of Hydrocarbons available to the Contractor, in accordance with articles 16 and 21 of this Agreement, for recovery of the Petroleum Costs;
b) all other revenue or income related to the Petroleum Operations, especially those derived from:

- the sale of related substances;
- all services rendered to Third Parties using the facilities allocated to the Petroleum Operations, especially the processing, transportation and storage of products for Third Parties in these facilities;
- the transfer of assets of the Contractor, and the transfer of some or all of the rights and obligations of the Contractor according to article 35 of this Agreement;
- foreign exchange gains actually realised by the Contractor in performing the Petroleum Operations.

Article 3. BASIS FOR CHARGING THE COST OF SERVICES, MATERIALS AND EQUIPMENT USED IN THE PETROLEUM OPERATIONS.

3.1. Rendering technical services

A reasonable fee shall be charged for technical services rendered by the Contractor or its Affiliated Companies for the Petroleum Operations performed pursuant to the Agreement, such as analyses of gas, water, core bores and all other tests and analyses, provided that such costs do not exceed those normally charged for similar services by independent technical service companies and laboratories, taking into account the quality and availability of those services.

3.2. Purchase of materials and equipment

The materials and equipment purchased from Third Parties that are necessary for the Petroleum Operations performed within the context of the Agreement shall be charged to the Petroleum Costs Account at the "Net Cost" borne by the Contractor.

The "Net Cost" shall include the cost of purchasing materials and equipment and items such as taxes, customs agent fees, transportation, loading and unloading expenses and licensing fees, relative to the supply of materials and equipment, as well as transit losses not recovered through insurance.

3.3. Use of equipment and facilities owned exclusively by the Contractor

The equipment and facilities owned by the Contractor and used for the Petroleum Operations shall be charged to the Petroleum Costs Account at a lease rate that shall be sufficient to cover the maintenance, repairs, depreciation and services provided to the Petroleum Operations, provided that such costs do not exceed those normally charged by Third Parties in the Republic of the Republic of Côte d'Ivoire for similar services and taking into account the quality and availability of those services.

3.4. Valuation of equipment

Any equipment transferred to the Republic of Côte d'Ivoire from the warehouses of the Contractor or any of the entities comprising the Contractor or their Affiliated Companies shall be valued as follows:

a) New equipment

New equipment (condition "A") is new equipment that has never been used: one hundred percent (100%) of the current market price, which corresponds to the price that would normally be invoiced under free market conditions between an independent buyer and seller for similar supplies.

b) Equipment in good condition

Used equipment in good condition (condition "B") is equipment in good condition that is still usable for its initial intended purpose, without repairs: seventy-five percent (75%) of the price of new equipment.

c) Other used equipment

Other used equipment (condition "C") is equipment that is still usable for its initial intended purpose, after repair and reconditioning, fifty percent (50%) of the price of new equipment.

d) Equipment in poor condition

Equipment in poor condition (condition "D") is equipment that is no longer usable for its initial intended purpose, but only for other services: twenty-five percent (25%) of the price of new equipment.

e) Scrap and waste

Scrap and waste (condition "E") is equipment that cannot be used or repaired: current price for scrap.

3.5. Materials and equipment transferred by the Contractor

The materials and equipment acquired by all of the entities comprising the Contractor shall be valued based upon the conditions defined in article 3.4 of this Accounting Procedure.

The materials and equipment acquired by any of the entities comprising the Contractor, or by Third Parties, shall be valued based upon sales price obtained, which shall not under any circumstances be less than the price determined according to the conditions defined in article 3.4 of this Accounting Procedure.

The corresponding amounts shall be credited to the Petroleum Costs Account.

Article 4. INVENTORIES

4.1. Frequency
The Contractor shall keep a permanent inventory of quantities and values of all assets used for the Petroleum Operations and, at reasonable intervals, shall carry out physical inventories as required by the Parties in accordance with the Best Industry Practice in the international petroleum industry.

4.2. Notification
A written notification of the intent to take inventory shall be sent by the Contractor at least ninety (90) days before the start of said inventory, so that the Government and the entities comprising the Contractor may be represented, at their expense, during inventory operations.

4.3. Information
In the event that the Government or an entity comprising the Contractor is not represented during an inventory, said Party or Parties shall be bound by the inventory prepared by the Contractor, which shall then provide said Party or Parties with a copy of said inventory in accordance with the Best Industry Practice in the international petroleum industry.

Article 5. FINANCIAL AND ACCOUNTING STATEMENTS
The Contractor shall provide the Government with all reports, records and statements indicated in the provisions of the Agreement and current legislation, and especially the following accounting and financial statements:

5.1. Statement of exploration work obligations
This annual statement shall be submitted within forty five (45) days after the end of each Contractual Year relative to exploration periods.

It shall provide a detailed statement of the work and exploration expenses carried out by the Contractor to perform the obligations set forth in article 4 of this Agreement, specifically excluding appraisal wells and the corresponding Appraisal Expenses as well as Development Expenses, Production Expenses, Overheads in the Republic of Côte d'Ivoire and bonuses.

5.2. Petroleum Costs recovery statement
A quarterly statement shall be submitted within forty five (45) days after the end of each Calendar Quarter. It shall indicate the following items of the Petroleum Costs Account:

a) the amount of Petroleum Costs still to be recovered at the beginning of the Calendar Quarter;

b) the amount of Petroleum Costs relative to the Calendar Quarter in question, recoverable according to the provisions of the Agreement;
c) the quantity and the value of the production of Hydrocarbons taken during the Calendar Quarter by the Contractor to recover Petroleum Costs;
d) the amount of income or proceeds credited pursuant to article 2.4.b) of this Accounting Procedure during the quarter;
e) the amount of Petroleum Costs still to be recovered at the end of the Calendar Quarter.

Furthermore, an annual Petroleum Costs recovery statement shall be submitted before the end of February of each Calendar Year.

5.3. Production Statement

After production begins, a monthly production statement shall be submitted within no more than fifteen (15) days after the end of each month.

For each month, it shall present details of the production of each Field, and especially the quantities of Hydrocarbons:

a) in stock at the beginning of the month;
b) lifted during the month;
c) lost and used for the needs of the Petroleum Operations;
d) in stock at the end of the month.

APPENDIX 3

Attached to and forming an integral part of this Agreement between the Republic of Côte d'Ivoire and the Contractor.

BANK GUARANTEE

This bank guarantee is issued on this (indicate issuance date) …… by the company …… (indicate name of BANK), a joint-stock company with share capital of ……., registered under number……, with registered office in …….., represented herein by Mr ……. ,……..(indicate capacity of signer), hereinafter referred to as the "**Bank**",

WHEREAS

(A) **The company,** a company incorporated under the laws of…, hereinafter referred to as "……," represented herein by **Mr……..,** entered into a Hydrocarbons Production Sharing Agreement relative to block CI-…… (hereinafter referred to as the "**PSA**") with the Government on ……[date]…….

(B) In accordance with article 4.8 of the PSA, the Contractor agrees to provide the Government with a bank guarantee for performance of the minimum exploration work programs as defined in article 4 of the PSA.

(C) The Bank, at the request of the Contractor, agrees to provide this bank guarantee in favour of the Government, for the Guaranteed Amount as defined in article 3 below.

NOW, THEREFORE, the Bank issues this guarantee on the following items:

1. DEFINITIONS AND INTERPRETATION

Unless otherwise expressly defined in this guarantee, the terms contained herein shall be defined in the same manner as in the PSA.
For the purposes of this guarantee, a business day is understood to be any day from Monday through Friday excluding bank holidays in the Republic of Côte d'Ivoire.

2. EFFECTIVE DATE

This bank guarantee shall become effective and valid as of the date of issuance (the "**Effective Date**") and remains in effect until cancellation or termination in accordance with article 4 below.

3. PAYMENT OF THE GUARANTEED AMOUNT

The Bank shall pay the Government the Guaranteed Amount within eight (8) business days following receipt of the following documents:

3.1 Receipt by the Bank of a written request from the Government accompanied by the original written statement sent by an authorised representative of the Contractor to the Government, indicating that the Contractor does not intend to perform or pursue the minimum exploration program defined in accordance with the terms and conditions of the PSA or

3.2 Receipt by the Bank of a written request from the Government accompanied by a copy of the formal notice sent by the Government to the Contractor to remedy its default with regard to the minimum exploration work program as specified in article 4 of the PSA, which has remained without effect for thirty (30) days following receipt of said notice.

"Guaranteed Amount" means (i) an amount equal to US$ ……, or (ii) an amount equal to the balance of this amount as it is reduced in accordance with article 4 of the PSA.

4. CANCELLATION AND/OR TERMINATION OF THE BANK GUARANTEE

4.1. The obligations of the Bank vis-à-vis the Government by virtue of this bank guarantee shall end when one of the following situations occurs:

4.1.1. Receipt by the Bank of a notification from the Government indicating that the Contractor performed the minimum exploration work indicated in the PSA, or

4.1.2. Receipt by the Bank of a written notification from the Government indicating that the Contractor made a payment corresponding to the indemnity indicated in article 4.10 of the PSA.

4.2. This bank guarantee is constituted for the duration of the exploration period, and its initial amount shall be adjusted and shall terminate in accordance with the provisions of article 4.8 of this Agreement.

5. LIABILITY

The liability of the Bank regarding this bank guarantee vis-à-vis the Government is strictly limited to the Guaranteed Amount.

6. NOTIFICATION

All notifications, requests, applications and other communications regarding this bank guarantee shall be made in writing or by fax and sent to the party in question at the address indicated below:

The Bank: [bank coordinates to be completed]
The Government: The Minister of Mines, Petroleum and Energy Fax no.: ... ...
The Contractor: ... ... Fax no.: ... ...

7. APPLICABLE LAW

This guarantee shall be governed and interpreted according to the law of the Republic of Côte d'Ivoire.

8. ARBITRATION

All disputes arising out of the interpretation or application of this guarantee shall be definitively resolved by arbitration in accordance with the provisions of article 32 of this Agreement.

In witness whereof, the Bank issues this guarantee.

Done in Abidjan, on _____

Signature: _____

Name: _____

Capacity: _____

APPENDIX 4

Attached to and forming an integral part of this Agreement between the Republic of Côte d'Ivoire and the Contractor.

PERFORMANCE BOND

Whereas ……., a Company incorporated under the laws of [Country], with registered office in…….., hereinafter referred to as the "**Guarantor**," is the sole shareholder of …….**,** a Company incorporated under the laws of……., with registered office in ……..,, hereinafter referred to as " **the Contractor"**

Whereas the Contractor entered into a Production Sharing Agreement (hereinafter referred to as the "**Agreement**") dated …….. with the Republic of Côte d'Ivoire (hereinafter referred to as the "**Government**"), corresponding to the Delimited Region defined in Appendix 1 to said Agreement;

Whereas the Contractor is bound to its portion of the obligations pursuant to the Agreement vis-à-vis the Government;

THE GUARANTOR AGREES AS FOLLOWS:

The Guarantor hereby acknowledges that it is fully informed of the legal and contractual obligations assumed by the Contractor within the context of this Agreement and guarantees that it shall make available to the Contractor all technical and financial resources, personnel and equipment necessary for the Contractor to fully perform its obligations pursuant to this Agreement , provided that the liability of the Guarantor shall not exceed the lesser of:

a. the Contractor's share of the obligations under the Agreement;
b. One-hundred million US Dollars (US$100,000,000) during the exploration period; and
c. Two-hundred million US Dollars (US$200,000,000) during the exploitation period..

This performance bond shall become effective on the date of its signature and shall remain in force until full discharge of the Contractor's obligations resulting from the Agreement.

Unless agreed otherwise in writing between the Government and the Contractor, this performance bond will not be affected by changes which may be made to the provisions of this Agreement.

No delay by the Government in asserting its rights derived from the Agreement may be interpreted as a waiver of such rights.

Any dispute arising between the Government and the Guarantor resulting from the application or interpretation of this performance bond shall be resolved by arbitration in accordance with the provisions of article 32 of the Agreement.

Executed on this ……..By: **……**

Title: **……..**

Exhibit 21.1

List of Subsidiaries

Subsidiary	Jurisdiction of Incorporation
Kosmos Energy Ltd.	Bermuda
Kosmos Energy Holdings	Cayman Islands
Kosmos Energy LLC	Texas
Kosmos Energy Operating	Cayman Islands
Kosmos Energy Ventures	Cayman Islands
Kosmos Energy South Atlantic	Cayman Islands
Kosmos Energy Latin America	Cayman Islands
Kosmos Energy Brasil Oleo e Gas Ltda.	Brazil
Kosmos Energy Deepwater Morocco	Cayman Islands
Kosmos Energy Cameroon HC	Cayman Islands
Kosmos Energy Offshore Morocco HC	Cayman Islands
Kosmos Energy Finance International	Cayman Islands
Kosmos Energy Finance	Cayman Islands
Kosmos Energy International	Cayman Islands
Kosmos Energy Development	Cayman Islands
Kosmos Energy Ghana HC	Cayman Islands
Kosmos Energy Suriname	Cayman Islands
Kosmos Energy Ireland	Cayman Islands
Kosmos Energy Mauritani	Cayman Islands
Kosmos Energy Sierra Leone	Cayman Islands
Kosmos Energy Equatorial Guinea	Cayman Islands
Kosmos Energy Credit International	Cayman Islands
FATE Energy Services	Cayman Islands
Kosmos Energy Operating Service SARL	Morocco
Kosmos Energy Liberia	Cayman Islands
Kosmos Energy Portugal	Cayman Islands
Kosmos Energy Senegal	Cayman Islands
Kosmos Energy Global Supply	Cayman Islands
Kosmos Energy Sao Tome and Principe	Cayman Islands
Kosmos Energy Maroc Mer Profonde	Cayman Islands
Kosmos Energy Congo	Cayman Islands
Kosmos Energy Cote d'Ivoire	Cayman Islands
Kosmos Energy Investments Senegal Limited	Cayman Islands
Kosmos-Trident International Petroleum, Inc.	Cayman Islands
Kosmos-Trident Equatorial Guinea, Inc.	Cayman Islands

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-174234 and Form S-8 No. 333-207259) pertaining to the Kosmos Energy Ltd. Long Term Incentive Plan and the Registration Statement (Form S-3 No. 333-205144) of Kosmos Energy Ltd. and in the related Prospectus of our reports dated February 26, 2018, with respect to the consolidated financial statements and schedules and the effectiveness of internal control over financial reporting of Kosmos Energy Ltd., included in this Annual Report (Form 10-K) for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Dallas, Texas
February 26, 2018

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS
TBPE REGISTERED ENGINEERING FIRM F-1580
1100 LOUISIANA SUITE 4600 HOUSTON, TEXAS 77002-5294
FAX (713) 651-0849
TELEPHONE (713) 651-9191

EXHIBIT 23.2

February 15, 2018

Mr. Eric Haas
Kosmos Energy, LLC
8176 Park Lane, Suite 500
Dallas, Texas 75231

We hereby consent to (1) the reference of our firm and to the use of our reports of the Greater Jubilee, TEN, Ceiba and Okume Project Areas effective December 31, 2017 and dated January 24, 2018, in the Kosmos Energy Ltd. Annual Report on Form 10-K for the year ended December 31, 2017, to be filed with the U.S. Securities Exchange Commission on or about February 26, 2018; and (2) the incorporation by reference of our reports of the Jubilee Field and TEN Project Area effective December 31, 2017 and dated January 24, 2018 in the Kosmos Energy Ltd. Registration Statements (Form S-8, No. 333-174234 and Form S-8, No. 333-207259) and Registration Statement (Form S-3, No. 333-205144) and in any related prospectus, including any reference to our firm under the heading “Experts” in such prospectus.

/s/ Ryder Scott Company, L.P.

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

Exhibit 31.1

Certification of Chief Executive Officer

I, Andrew G. Inglis, certify that:

1. I have reviewed this annual report on Form 10-K of Kosmos Energy Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2018

/s/ Andrew G. Inglis

Andrew G. Inglis
Chairman of the Board of Directors and
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer

I, Thomas P. Chambers, certify that:

1. I have reviewed this annual report on Form 10-K of Kosmos Energy Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2018

/s/ Thomas P. Chambers

Thomas P. Chambers
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the accompanying annual report of Kosmos Energy Ltd. (the "Company") on Form 10-K for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew G. Inglis, Chairman of the Board of Directors and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2018

/s/ Andrew G. Inglis

Andrew G. Inglis
Chairman of the Board of Directors and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Kosmos Energy Ltd. (the "Company") on Form 10-K for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas P. Chambers, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2018

/s/ Thomas P. Chambers

Thomas P. Chambers
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.1

KOSMOS ENERGY, LLC

ESTIMATED

FUTURE RESERVES AND INCOME

ATTRIBUTABLE TO CERTAIN INTERESTS

IN THE GREATER JUBILEE AND TEN PROJECT AREAS

OFFSHORE, GHANA

AND

CEIBA AND OKUME PROJECT AREAS

OFFSHORE, EQUATORIAL GUINEA

SEC PARAMETERS

PROVED RESERVES

AS OF

DECEMBER 31, 2017

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GREATER JUBILEE AND TEN PROJECT AREA

OFFSHORE, GHANA

AND

CEIBA AND OKUME PROJECT AREAS

OFFSHORE, EQUATORIAL GUINEA

KOSMOS ENERGY, LLC

Estimated

Future Reserves and Income

Attributable to Certain Interests

In the Greater Jubilee and TEN Project Areas

Offshore, Ghana

And

In the Ceiba and Okume Project Areas

Offshore, Equatorial Guinea

SEC Parameters

Proved Reserves

As of

December 31, 2017

/s/ Guale Ramirez

Guale Ramirez, P.E.
TBPE License No. 48318
Executive Vice President

[SEAL]

/s/ Tosin Famurewa

Tosin Famurewa, P.E., S.P.E.C.
TBPE License No. 100569
Senior Vice President – International

[SEAL]

/s/ Christine E. Neylon

Christine E. Neylon, P.E.
TBPE License No. 122128
Senior Petroleum Engineer

[SEAL]

/s/ Victor Abu

Victor Abu
Senior Petroleum Engineer

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS
TBPE REGISTERED ENGINEERING FIRM F-1580
1100 LOUISIANA SUITE 4600 HOUSTON, TEXAS 77002-5294
FAX (713) 651-0849
TELEPHONE (713) 651-9191

January 24, 2018

Kosmos Energy, LLC
8176 Park Lane, Suite 500
Dallas, Texas 75231

Gentlemen:

At your request, Ryder Scott Company, L.P. (Ryder Scott) has prepared an estimate of the proved reserves, future production, and income attributable to certain interests of Kosmos Energy, LLC (Kosmos) as of December 31, 2017. The subject properties are located in the country of Ghana, offshore West Africa, in the West Cape Three Points (WCTP) and Deep Water Tano (DWT) blocks, hereafter referred to as the "Greater Jubilee and TEN Project Areas," and in the country of Equatorial Guinea (EG), offshore Central Africa, in the G and F blocks, hereafter referred to as the "Ceiba and Okume Project Areas." The reserves and income data were estimated based on the definitions and disclosure guidelines of the United States Securities and Exchange Commission (SEC) contained in Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register (SEC regulations). Our third party study, completed on January 20, 2018 and presented herein, was prepared for public disclosure by Kosmos in filings made with the SEC in accordance with the disclosure requirements set forth in the SEC regulations.

The properties evaluated by Ryder Scott in this report represent 100 percent of the total net proved liquid hydrocarbon reserves and 100 percent of the total net proved gas reserves of Kosmos as of December 31, 2017.

The estimated reserves and future net income amounts presented in this report, as of December 31, 2017, are related to hydrocarbon prices. The hydrocarbon prices used in the preparation of this report are based on the average prices during the 12-month period prior to the "as of date" of this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements, as required by the SEC regulations. Actual future prices may vary significantly from the prices required by SEC regulations; therefore, volumes of reserves actually recovered and the amounts of income actually received may differ significantly from the estimated quantities presented in this report. The results of this study are summarized as follows.

SEC PARAMETERS
Estimated Net Reserves and Income Data
Derived Through Certain Interest in the Greater Jubilee, TEN, Ceiba and Okume Project Areas
Kosmos Energy, LLC

As of December 31, 2017

	Proved			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Proved
Net Remaining Reserves				
Greater Jubilee Project Area				
Oil/Condensate – MBBL	39,539	510	10,444	50,493
Fuel Gas – MMCF	11,646	0	0	11,646
Sales Gas – MMCF	0	0	0	0
TEN Project Area				
Oil/Condensate – MBBL	18,695	0	12,162	30,857
Fuel Gas – MMCF	8,842	0	0	8,842
Sales Gas – MMCF	17,352	0	11,004	28,356
Total Ghana				
Oil/Condensate – MBBL	58,234	510	22,606	81,350
Fuel Gas – MMCF	20,488	0	0	20,488
Sales Gas – MMCF	17,352	0	11,004	28,356
Ceiba Project Area				
Oil/Condensate – MBBL	7,636	700	0	8,336
Fuel Gas – MMCF	7,626	0	0	7,626
Sales Gas – MMCF	0	0	0	0
Okume Project Area				
Oil/Condensate – MBBL	10,278	0	0	10,278
Fuel Gas – MMCF	4,967	0	0	4,967
Sales Gas – MMCF	0	0	0	0
Total Equatorial Guinea				
Oil/Condensate – MBBL	17,914	700	0	18,614
Fuel Gas – MMCF	12,593	0	0	12,593
Sales Gas – MMCF	0	0	0	0
Total Company				
Oil/Condensate – MBBL	76,148	1,210	22,606	99,964
Fuel Gas – MMCF	33,081	0	0	33,081
Sales Gas – MMCF	17,352	0	11,004	28,356
Income Data (M$)				
Greater Jubilee Project Area				
Future Gross Revenue	$ 2,155,822	$ 27,810	$ 569,434	$ 2,753,066
Deductions	1,182,683	11,033	558,285	1,752,001
Future Net Income (FNI)	$ 973,139	$16,777	$ 11,149	$1,001,065
Discounted FNI @ 10% Before Taxes	$ 720,174	$14,033	$ (28,321)	$ 705,886

Discounted FNI @ 10% After Taxes	$ 582,322	$11,252	$ (49,722)	$ 543,852

TEN Project Area				
Future Gross Revenue	$ 1,028,204	$ 0	$ 668,740	$ 1,696,944
Deductions	662,880	0	560,789	1,223,669
Future Net Income (FNI)	$ 365,324	$0	$107,951	$ 473,275
Discounted FNI @ 10% Before Taxes	$ 320,619	$0	$ 84,649	$ 405,268
Discounted FNI @ 10% After Taxes	$ 332,933	$0	$ 85,184	$ 418,117
Total Ghana				
Future Gross Revenue	$ 3,184,026	$ 27,810	$ 1,238,174	$ 4,450,010
Deductions	1,845,563	11,033	1,119,074	2,975,670
Future Net Income (FNI)	$1,338,463	$16,777	$ 119,100	$1,474,340
Discounted FNI @ 10% Before Taxes	$ 1,040,793	$ 14,033	$ 56,328	$ 1,111,154
Discounted FNI @ 10% After Taxes	$ 915,255	$11,252	$ 35,462	$ 961,969
Ceiba Project Area				
Future Gross Revenue	$ 411,490	$ 37,744	$ 0	$ 449,234
Deductions	306,630	24,938	0	331,568
Future Net Income (FNI)	$104,860	$12,806	$0	$117,666
Discounted FNI @ 10% Before Taxes	$ 127,453	$ 16,285	$ 0	$ 143,738
Discounted FNI @ 10% After Taxes	$ 57,815	$ 8,005	$0	$ 65,820
Okume Project Area				
Future Gross Revenue	$ 553,859	$ 0	$ 0	$ 553,859
Deductions	437,360	0	0	437,360
Future Net Income (FNI)	$ 116,499	$ 0	$ 0	$ 116,499
Discounted FNI @ 10% Before Taxes	$ 157,892	$ 0	$ 0	$ 157,892
Discounted FNI @ 10% After Taxes	$ 63,325	$ 0	$ 0	$ 63,325
Total Equatorial Guinea				
Future Gross Revenue	$ 965,349	$ 37,744	$ 0	$ 1,003,093
Deductions	743,990	24,938	0	768,928
Future Net Income (FNI)	$ 221,359	$12806	$0	$ 234,165
Discounted FNI @ 10% Before Taxes	$ 285,345	$ 16,285	$ 0	$ 301,630
Discounted FNI @ 10% After Taxes	$ 121,140	$ 8,005	$ 0	$ 129,145
Total Company				
Future Gross Revenue	$ 4,149,375	$ 65,554	$ 1,238,174	$ 5,453,103
Deductions	2,589,553	35,971	1,119,074	3,744,598
Future Net Income (FNI)	$ 1,559,822	$ 29,583	$ 119,100	$ 1,708,505
Discounted FNI @ 10% Before Taxes	$ 1,326,138	$ 30,318	$ 56,328	$ 1,412,784
Discounted FNI @ 10% After Taxes	$ 1,036,395	$ 19,257	$ 35,462	$ 1,091,114

Volumetric Data (Gross (100%))

Greater Jubilee Project Area

Original Oil In Place (OOIP) – MBBL				1,193,967
Estimated Ultimate Recovery (EUR) – MBBL	394,408	2,230	45,659	442,297

TEN Project Area				
Original Oil In Place (OOIP) – MBBL				665,274
Estimated Ultimate Recovery (EUR) – MBBL	141,523	0	75,309	216,832
Total Ghana				
Original Oil In Place (OOIP) – MBBL				1,859,241
Estimated Ultimate Recovery (EUR) – MBBL	535,931	2,230	120,968	659,129
Ceiba Project Area				
Original Oil In Place (OOIP) – MBBL*				
Estimated Ultimate Recovery (EUR) – MBBL	100,202	114,990	0	215,192
Okume Project Area				
Original Oil In Place (OOIP) – MBBL*				
Estimated Ultimate Recovery (EUR) – MBBL	224,821	20,132	0	244,953
Total Equatorial Guinea				
Original Oil In Place (OOIP) – MBBL*				
Estimated Ultimate Recovery (EUR) – MBBL	325,023	135,122	0	460,145
Total Company				
Original Oil In Place (OOIP) – MBBL*				
Estimated Ultimate Recovery (EUR) – MBBL	860,954	137,352	120,968	1,119,274

**Volumetric analyses were not done for the Ceiba and Okume Project Areas as the reserves were estimated by performance and analogy. Consequently, Original Oil In Place (OOIP) volumes are not displayed for these project areas, Total Equatorial Guinea or Total Company.*

Liquid hydrocarbons are expressed in standard 42 gallon barrels and shown herein as thousands of barrels (MBBL). Fuel gas volumes are attributed to those volumes of gas that are consumed for fuel in field operations, while sales gas volumes are reported on an “as sold basis.” These gas volumes are expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. In this report, the revenues, deductions, and income data are expressed as thousands of U.S. dollars (M$).

The estimates of the reserves, future production, and income attributable to properties in this report were prepared using an economic model developed in Microsoft EXCEL. The program was used at the request of Kosmos. Ryder Scott has found this program to be generally acceptable, but notes that certain summaries and calculations may vary due to rounding and may not exactly match the sum of the properties being summarized. Furthermore, one line economic summaries may vary slightly from the more detailed cash flow projections of the same properties, also due to rounding. The rounding differences are not material.

The deductions include the normal direct costs of operating the wells and facilities, development costs, and certain abandonment costs net of salvage. Deductions in the Greater Jubilee and TEN project areas include Additional Oil Entitlements (“AOE”). AOE is a contractual mechanism that prevents the contractor group from collecting “windfall profits” and is treated herein as a deduction to the future gross revenue; however, for the Greater Jubilee and TEN Project Areas our economic analysis indicates no AOE deductions for the proved reserves. There are no production taxes associated with the Greater Jubilee, TEN, Ceiba and Okume Project Areas. The “Discounted FNI @ 10% Before Taxes” shown above does not include deductions for corporate income taxes and general administrative (G&A) overhead, and has

not been adjusted for outstanding loans that may exist, nor does it include any adjustment for cash on hand or undistributed income. This Future Net Income (FNI) value was then adjusted by deducting corporate income taxes and the result is shown above as "Discounted FNI @ 10% After Taxes". The AOE calculation is determined at the block level and includes a rate of return calculation that is derived on an after corporate income tax basis based on interpretations of tax considerations made by Kosmos. All deductions pertaining to operating expenses, depletion, abandonment and royalties that were applied towards the calculation of corporate income taxes are strictly related to the Greater Jubilee, TEN, Ceiba and Okume Project Areas. There are no corporate income tax deductions for the AOE calculation that are related to expenditures, royalties, or any other deductible items outside of the Greater Jubilee and TEN Project area.

Due to the sequential time difference between when taxes are incurred and when they are paid and accounted for in the cash flow projections, certain years may show a negative annual FNI. The tax credits experienced in the Ceiba and Okume Project Areas are the allocation of the economic benefit generated when a component asset (Okume Project Area in this case) generates excess tax basis that is absorbed by another asset (Ceiba Project Area in this case) in regimes that ringfence assets together to determine the total income tax owed (in this case, the taxes for the Ceiba and Okume Project Areas are ringfenced and pooled at a block / contract level). The economic model's sum of the income taxes for the Ceiba and Okume Project Areas will always be equivalent to the actual amount due at the ringfenced level.

In a few instances in the Greater Jubilee and TEN Project Areas, a tax credit is generated due to the reconciliation between two tax calculation methodologies. Tax reconciliation is required due to an updated tax agreement between Kosmos and the Ghana government. In addition, Kosmos is reimbursed for costs carried through first oil which can produce credits or deductions affecting the net cash flows in the Taxes & Adjustments section. Corporate tax calculations, specifically taxable income, also include deductions from outside the ringfence such as the interest expense deduction and G&A. The interest expense deduction has significant impact on tax payments and materially affects after tax FNI. Ryder Scott did not audit these deductions. In the Greater Jubilee and TEN Project Areas, abandonment costs (included in the "Development Costs" column of the cash flow projections) are triggered and escrowed several years before the economic limit is reached, and this may result in negative FNI values for certain years prior to abandonment.

Liquid hydrocarbon reserves account for approximately 99.69 percent and gas reserves account for the remaining 0.31 percent of the total future gross revenue from proved reserves. The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded annually. These results are presented for your information and should not be construed as our estimate of fair market value.

Reserves Included in This Report

The proved reserves included herein conform to the definition as set forth in the Securities and Exchange Commission's Regulations Part 210.4-10(a). An abridged version of the SEC reserves definitions from 210.4-10(a) entitled "Petroleum Reserves Definitions" is included as an attachment to this report.

The various proved reserve status categories are defined under the attachment entitled "Petroleum Reserves Status Definitions and Guidelines" in this report. The proved developed non-producing reserves included herein consist of the shut-in and behind-pipe categories.

Reserves are "estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations." All reserve estimates involve an assessment of the uncertainty relating the likelihood that

the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves, and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. At Kosmos' request, this report addresses only the proved reserves attributable to the properties evaluated herein.

Proved oil and gas reserves are "those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward." The proved reserves included herein were estimated using deterministic methods. The SEC has defined reasonable certainty for proved reserves, when based on deterministic methods, as a "high degree of confidence that the quantities will be recovered."

Proved reserve estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change. For proved reserves, the SEC states that "as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to the estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease." Moreover, estimates of proved reserves may be revised as a result of future operations, effects of regulation by governmental agencies or geopolitical or economic risks. Therefore, the proved reserves included in this report are estimates only and should not be construed as being exact quantities, and if recovered, the revenues therefrom, and the actual costs related thereto, could be more or less than the estimated amounts.

The proved reserves reported herein are limited to the period prior to expiration of current contracts providing the legal rights to produce, or a revenue interest in such production. Furthermore, the subject properties located in Ghana and EG may be subjected to significantly varying contractual fiscal terms that affect the net revenue to Kosmos for the production of these volumes. The prices and economic return received for these net volumes can vary significantly based on the terms of these contracts. Therefore, when applicable, Ryder Scott reviewed the fiscal terms of such contracts and discussed with Kosmos the net economic benefit attributed to such operations for the determination of the net hydrocarbon volumes and income thereof. Ryder Scott has not conducted an exhaustive audit or verification of such contractual information. Neither our review of such contractual information nor our acceptance of Kosmos representations regarding such contractual information should be construed as a legal opinion on this matter.

Ryder Scott did not evaluate the country and geopolitical risks in the countries of Ghana and EG, where Kosmos operates or has interests. Kosmos operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include, but may not be limited to, matters relating to the legal rights to produce hydrocarbons, drilling and production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax and are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of proved reserves actually recovered and amounts of proved income actually received to differ significantly from the estimated quantities.

The estimates of proved reserves presented herein were based upon a detailed study of the properties in which Kosmos owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liabilities to restore and clean up damages, if any, caused by past operating practices.

Estimates of Reserves

The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions set forth by the Securities and Exchange Commission's Regulations Part 210.4-10(a). The process of estimating the quantities of recoverable oil and gas reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods; (2) volumetric-based methods; and (3) analogy. These methods may be used individually or in combination by the reserve evaluator in the process of estimating the quantities of reserves. Reserve evaluators must select the method or combination of methods which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated, and the stage of development or producing maturity of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of reserves is identified, the evaluator must determine the uncertainty associated with the incremental quantities of the reserves. If the reserve quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity of the reserves is addressed by the reserve category assigned by the evaluator. Therefore, it is the categorization of reserve quantities as proved, probable and/or possible that addresses the inherent uncertainty in the estimated quantities reported. For proved reserves, uncertainty is defined by the SEC as reasonable certainty wherein the "quantities actually recovered are much more likely than not to be achieved." The SEC states that "probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered." The SEC states that "possible reserves are those additional reserves that are less certain to be recovered than probable reserves and the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves." All quantities of reserves within the same reserve category must meet the SEC definitions as noted above.

Estimates of reserves quantities and their associated reserve categories may be revised in the future as additional geoscience or engineering data become available. Furthermore, estimates of reserves quantities and their associated reserve categories may also be revised due to other factors such as changes in economic conditions, results of future operations, effects of regulation by governmental agencies or geopolitical or economic risks as previously noted herein.

The proved reserves for the properties included herein were estimated by a combination of performance methods, analogy and the volumetric methods. One hundred percent of the proved producing reserves attributable to producing wells and/or reservoirs were estimated by a combination of methods. The performance methods include, but may not be limited to, reservoir simulation, which utilized extrapolations of historical production and pressure data available through December 15, 2017 in those cases where such data were considered to be definitive. The data utilized in this analysis were furnished to Ryder Scott by Kosmos and were considered sufficient for the purpose thereof.

One hundred percent of the proved developed non-producing and undeveloped reserves included herein were estimated by a combination of the volumetric method and numerical reservoir simulation. These methods were used as a result of limited production performance data to establish performance trends or to use as a basis for reserve estimates. Well and seismic data incorporated into our volumetric analysis were provided by Kosmos and were considered sufficient for the purpose thereof.

The field development plan was incorporated into the newly developed reservoir simulation model for the TEN Project Area to estimate recovery factors. These recovery factors, when compared with actual and predicted estimates from the offset Greater Jubilee Project Area are considered reasonable. The

Greater Jubilee Project Area has historically been operated under a pressure maintenance plan by means of gas and water injection. The same type of pressure maintenance method is planned for the TEN Project Area.

To estimate economically recoverable proved oil and gas reserves and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data that cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be anticipated to be economically producible from a given date forward based on existing economic conditions including the prices and costs at which economic producibility from a reservoir is to be determined. While it may reasonably be anticipated that the future prices received for the sale of production and the operating costs and other costs relating to such production may increase or decrease from those under existing economic conditions, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Kosmos has informed us that they have furnished us all of the material accounts, records, geological and engineering data, and reports and other data required for this investigation. In preparing our forecast of future proved production and income, we have relied upon data furnished by Kosmos with respect to property interests and contractual terms that govern future net income, production and well tests from examined wells, normal direct costs of operating the Greater Jubilee, TEN, Ceiba and Okume Project Areas and all the required facilities such as the FPSO, other costs such as transportation and/or processing fees, recompletion and development costs, development plans, abandonment costs after salvage, product prices based on the SEC regulations, adjustments or differentials to product prices, geological structural and isochore maps, well logs, core analyses, and pressure measurements. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data furnished by Kosmos. We consider the factual data used in this report appropriate and sufficient for the purpose of preparing the estimates of reserves and future net revenues herein.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purpose hereof, and we have used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves herein. The proved reserves included herein were determined in conformance with the United States Securities and Exchange Commission (SEC) Modernization of Oil and Gas Reporting; Final Rule, including all references to Regulation S-X and Regulation S-K, referred to herein collectively as the “SEC Regulations.” In our opinion, the proved reserves presented in this report comply with the definitions, guidelines and disclosure requirements as required by the SEC regulations.

Future Production Rates

For the Greater Jubilee Project Area, our forecasts of future production rates are based on a combination of historical performance data, volumetric analysis and a robust numerical simulation model. Future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated “simulation based decline rate” was then applied until depletion of the reserves.

For the TEN Project Area, our forecasts of future production rates are based on the limited historical performance data, history-matched numerical simulation model predictions. These forecasts were adjusted to limit the daily oil production output to the FPSO capacity of 80,000 barrels per day less a five percent downtime assumption. Well test and early performance data from active, offset wells were used to estimate the anticipated initial production rates for those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by Kosmos. Wells or locations may start producing earlier or later than anticipated in our

estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, completing and/or recompleting wells and/or constraints set by regulatory bodies.

In the Ceiba and Okume Project Areas, for wells currently on production, our forecasts of future production rates are based on historical performance data. If no production decline trend has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied until depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

The future production rates from the subject wells and locations may be more or less than estimated because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.

Hydrocarbon Prices

The hydrocarbon prices used herein are based on SEC price parameters using the average prices during the 12-month period prior to the "as of date" of this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements. For hydrocarbon products sold under contract, the contract prices, including fixed and determinable escalations, exclusive of inflation adjustments, were used until expiration of the contract. All the proved volumes projected herein are forecast to be recovered prior to contract expiration.

Kosmos furnished us with the above mentioned average prices in effect on December 31, 2017. These initial SEC hydrocarbon prices were determined using the 12-month average first-day-of-the-month benchmark prices appropriate to the geographic area where the hydrocarbons are sold. These benchmark prices are prior to the adjustments for differentials as described herein. The table below summarizes the "benchmark prices" and "price reference" used for the geographic area included in this report.

The product prices that were actually used to determine the future gross revenue for the subject property reflect adjustments to the benchmark prices for gravity, quality, local conditions, and/or distance from market, referred to herein as "differentials." The differentials used in the preparation of this report were furnished to us by Kosmos. In the case of the Greater Jubilee Project Area, TEN Project Area, and the Ceiba and Okume Project Areas, Kosmos has estimated that the applicable differentials are +$0.104/bbl, +$0.021/bbl and -$0.535/bbl respectively. The differentials furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the data used by Kosmos to determine these differentials.

In addition, the table below summarizes the net volume weighted benchmark prices adjusted for differentials and referred to herein as the "average realized prices." The average realized prices shown in the table below were determined from the total future gross revenue before production taxes and the total net reserves for the geographic area and presented in accordance with SEC disclosure requirements for each of the geographic areas included in the report.

Geographic Area	Product	Price Reference	Average Benchmark Price	Average Realized Price
West Africa				
Greater Jubilee Project Area	Oil	Brent	$54.42/Bbl	$54.52/Bbl
TEN Project Area	Oil	Brent	$54.42/Bbl	$54.44/Bbl
TEN Project Area	Gas	Contract	$0.60/mcf	$0.60/mcf
Central Africa				
Ceiba Project Area	Oil	Brent	$54.42/Bbl	$53.89/Bbl
Okume Project Area	Oil	Brent	$54.42/Bbl	$53.89/Bbl

The effects of derivative instruments designated as price hedges of oil and gas quantities are not reflected in our individual property evaluations.

Costs

Operating costs for the properties in this report were furnished by Kosmos and are based on their operating expense reports for the Greater Jubilee and TEN Project Areas, and Ceiba and Okume Project Areas. Such costs include only those costs directly applicable to the subject properties. The operating costs include a portion of general and administrative costs allocated directly to the contract area and wells. The operating costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the operating cost data used by Kosmos. No deduction was made for loan repayments, interest expenses, or exploration and development prepayments that were not charged directly to the contract area or wells.

Development costs were furnished to us by Kosmos and are based on authorizations for expenditure for the proposed work or actual costs for similar projects. The development costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of these costs. The estimated net cost of abandonment after salvage was included for properties where abandonment costs net of salvage were significant. The estimates of the net abandonment costs furnished by Kosmos were accepted without independent verification.

The proved developed non-producing and undeveloped reserves in this report have been incorporated herein in accordance with Kosmos' plans to develop these reserves as of December 31, 2017. The implementation of Kosmos' development plans as presented to us and incorporated herein is subject to the approval process adopted by Kosmos' management. As the result of our inquiries during the course of preparing this report, Kosmos has informed us that the development activities included herein have been subjected to and received the internal approvals required by Kosmos management at the appropriate local, regional and/or corporate level. In addition to the internal approvals as noted, certain development activities may still be subject to specific partner AFE processes, Joint Operating Agreement (JOA) requirements or other administrative approvals external to Kosmos. Additionally, Kosmos has informed us that they are not aware of any legal, regulatory or political obstacles that would significantly alter their plans. While these plans could change or evolve from those under existing economic conditions as of December 31, 2017, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Current costs used by Kosmos were held constant throughout the life of the properties until a time in the future where Kosmos has estimated that expected synergies from unifying the activities of project areas and late field life ramp down activities indicate a reduction in costs.

Standards of Independence and Professional Qualification

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world since 1937. Ryder Scott is employee-owned and maintains offices in Houston, Texas; Denver, Colorado; and Calgary, Alberta, Canada. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients for which we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any privately-owned or publicly-traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry-related professional societies and organizes an annual public forum focused on the subject of reserves evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reserves related topics. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional accreditation in the form of a registered or certified professional engineer's license or a registered or certified professional geoscientist's license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

We are independent petroleum engineers with respect to Kosmos Energy, LLC. Neither we nor any of our employees have any financial interest in the subject properties and neither the employment to do this work nor the compensation is contingent on our estimates of reserves for the properties which were reviewed.

The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of the undersigned, the technical person primarily responsible for overseeing, reviewing and approving the evaluation of the reserves information discussed in this report, are included as an attachment to this letter.

Terms of Usage

The results of our third party study, presented in report form herein, were prepared in accordance with the disclosure requirements set forth in the SEC regulations and intended for public disclosure as an exhibit in filings made with the SEC by Kosmos.

Kosmos makes periodic filings on Form 10-K with the SEC under the 1934 Exchange Act. Furthermore, Kosmos has certain registration statements filed with the SEC under the 1933 Securities Act into which any subsequently filed Form 10-K is incorporated by reference. We have consented to the incorporation by reference in the registration statements on Forms S-3 and S-8 of Kosmos Energy, LLC of the references to our name as well as to the references to our third party report for Kosmos Energy, LLC, which appears in the December 31, 2017 annual report on Form 10-K of Kosmos Energy, LLC. Our written consent for such use is included as a separate exhibit to the filings made with the SEC by Kosmos Energy, LLC.

We have provided Kosmos with a digital version of the original signed copy of this report letter. In the event there are any differences between the digital version included in filings made by Kosmos and

the original signed report letter, the original signed report letter shall control and supersede the digital version.

The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

/s/ Guale Ramirez

Guale Ramirez, P.E.
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Executive Vice President **[SEAL]**

/s/ Tosin Famurewa

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Senior Vice President – International **[SEAL]**

/s/ Christine E. Neylon

Christine E. Neylon, P.E.
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Senior Petroleum Engineer **[SEAL]**

/s/ Victor Abu

Victor Abu
Senior Petroleum Engineer

GR-TF-CEN-VA (DCR)/pl

Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. Guadalupe Ramirez was the primary technical person responsible for overseeing the estimate of the reserves, future production and income.

Mr. Ramirez, an employee of Ryder Scott Company, L.P. (Ryder Scott) since 1981, is the Executive Vice President and also serves as a member of the Board of Directors. He is responsible for coordinating and supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mr. Ramirez served in a number of engineering positions with Sun Oil Company and Natomas North America. For more information regarding Mr. Ramirez's geographic and job specific experience, please refer to the Ryder Scott Company website at www.ryderscott.com/Company/Employees.

Mr. Ramirez earned a Bachelor of Science Degree in Mechanical Engineering with honors from Texas A&M University in 1976 and is a licensed Professional Engineer in the State of Texas. He is also a member of the Society of Petroleum Engineers and Society of Petroleum Evaluation Engineers.

In addition to gaining experience and competency through prior work experience, the Texas Board of Professional Engineers requires a minimum of fifteen hours of continuing education annually, including at least one hour in the area of professional ethics, which Mr. Ramirez fulfills. As part of his 2016 continuing education hours, Mr. Ramirez attended and internally received 21 hours of formalized training as well as a day-long public forum, the 2016 RSC Reserves Conference relating to the definitions and disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register. Mr. Ramirez has also presented courses on the new SEC and SPE-PRMS reserves definitions on various occasions during 2011, 2012, 2013 and 2015 and received 8 hours of formalized external training during 2016, covering such topics as the Guidelines for Application of the SPE/WPC/AAPG/SPEE Petroleum Resources Management System, reservoir engineering, geoscience and petroleum economics evaluation methods, procedures and software, unconventional resources and ethics for consultants.

Based on his educational background, professional training and more than 35 years of practical experience in the estimation and evaluation of petroleum reserves, Mr. Ramirez has attained the professional qualifications as a Reserves Estimator and Reserves Auditor set forth in Article III of the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007.

PETROLEUM RESERVES DEFINITIONS

As Adapted From:
RULE 4-10(a) of REGULATION S-X PART 210
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

PREAMBLE

On January 14, 2009, the United States Securities and Exchange Commission (SEC) published the "Modernization of Oil and Gas Reporting; Final Rule" in the Federal Register of National Archives and Records Administration (NARA). The "Modernization of Oil and Gas Reporting; Final Rule" includes revisions and additions to the definition section in Rule 4-10 of Regulation S-X, revisions and additions to the oil and gas reporting requirements in Regulation S-K, and amends and codifies Industry Guide 2 in Regulation S-K. The "Modernization of Oil and Gas Reporting; Final Rule", including all references to Regulation S-X and Regulation S-K, shall be referred to herein collectively as the "SEC regulations". The SEC regulations take effect for all filings made with the United States Securities and Exchange Commission as of December 31, 2009, or after January 1, 2010. Reference should be made to the full text under Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) for the complete definitions (direct passages excerpted in part or wholly from the aforementioned SEC document are denoted in italics herein).

Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. Under the SEC regulations as of December 31, 2009, or after January 1, 2010, a company may optionally disclose estimated quantities of probable or possible oil and gas reserves in documents publicly filed with the SEC. The SEC regulations continue to prohibit disclosure of estimates of oil and gas resources other than reserves and any estimated values of such resources in any document publicly filed with the SEC unless such information is required to be disclosed in the document by foreign or state law as noted in §229.1202 Instruction to Item 1202.

Reserves estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, natural gas cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves may be attributed to either conventional or unconventional petroleum accumulations. Petroleum accumulations are considered as either conventional or unconventional based on the nature of their in-place characteristics, extraction method applied, or degree of processing prior to sale. Examples

of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale.

Reserves do not include quantities of petroleum being held in inventory.

Because of the differences in uncertainty, caution should be exercised when aggregating quantities of petroleum from different reserves categories.

RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(26) defines reserves as follows:

Reserves. *Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.*

Note to paragraph (a)(26): Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

PROVED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(22) defines proved oil and gas reserves as follows:

Proved oil and gas reserves. *Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.*

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and

(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

PROVED RESERVES (SEC DEFINITIONS) CONTINUED

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

PETROLEUM RESERVES STATUS DEFINITIONS AND GUIDELINES

As Adapted From:
RULE 4-10(a) of REGULATION S-X PART 210
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

and

PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)
Sponsored and Approved by:
SOCIETY OF PETROLEUM ENGINEERS (SPE)
WORLD PETROLEUM COUNCIL (WPC)
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

Reserves status categories define the development and producing status of wells and reservoirs. Reference should be made to Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) and the SPE-PRMS as the following reserves status definitions are based on excerpts from the original documents (direct passages excerpted from the aforementioned SEC and SPE-PRMS documents are denoted in italics herein).

DEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(6) defines developed oil and gas reserves as follows:

Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

> *(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and*
>
> *(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.*

Developed Producing (SPE-PRMS Definitions)

While not a requirement for disclosure under the SEC regulations, developed oil and gas reserves may be further sub-classified according to the guidance contained in the SPE-PRMS as Producing or Non-Producing.

Developed Producing Reserves
Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing

Developed Non-Producing Reserves include shut-in and behind-pipe reserves.

Shut-In

Shut-in Reserves are expected to be recovered from:

(1) completion intervals which are open at the time of the estimate, but which have not started producing;
(2) wells which were shut-in for market conditions or pipeline connections; or
(3) wells not capable of production for mechanical reasons.

Behind-Pipe

Behind-pipe Reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future re-completion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

UNDEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(31) defines undeveloped oil and gas reserves as follows:

Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a) (2) of this section, or by other evidence using reliable technology establishing reasonable certainty.