



PETROLEUM AGREEMENT

In

THE KINGDOM OF CAMBODIA



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PETROLEUM AGREEMENT

THIS AGREEMENT is made and entered into this day of 2004, by and between:

1. The **Royal Government of Cambodia**, hereinafter called “The Government”, represented by the **Cambodian National Petroleum Authority**, hereinafter called “**CNPA**”, and
2. *(Name of the company) a company incorporated in (name of the country) with registered address(Official address)“**Abbreviation** ”.*

RECITALS

WHEREAS, title to Petroleum existing within the territory, continental shelf and exclusive economic zone of the Kingdom of Cambodia is vested in the Kingdom of Cambodia, and all rights related to Petroleum Operations belong exclusively to the Government;

WHEREAS, CNPA intends to promote the development of Petroleum within Cambodia for the economic and social benefit of the Cambodian people;

WHEREAS, each Contractor Party has given assurances that it has the capital, technical competence and professional skills necessary to conduct Petroleum Operations, and intends to conduct Petroleum Operations in accordance with the terms and conditions of this Petroleum Agreement; and

WHEREAS, Petroleum Regulations, No. 01 on 28th September 1991, provide that Petroleum Agreements may be entered into between CNPA and qualified Petroleum Contractors.

NOW, THEREFORE in consideration of the covenants and conditions contained herein, the Government and Contractor mutually agree as follows:



1. DEFINITIONS

1.1 Words defined in Petroleum Regulations

The words defined in Petroleum Regulations No. 01 on 28th September 1991, shall, unless the word is defined below, have the same meanings for the purpose of this Agreement.

1.2 Defined terms

In this Agreement, unless the context indicates otherwise:

Actual Costs has the meaning given to it in Annexure III.

Actual Revenue has the meaning given to it in Annexure III.

Additional Revenue has the meaning given by Article 12.3(c)(iii)(A).

Adjustment Statement means a statement issued by Contractor to CNPA specifying the adjustment to CNPA's percentage Net Gas entitlement for the Calendar Year following a Calculation Date in accordance with Article 12.3.

Affiliated Party or Affiliate means, in relation to a Contractor Party, any entity which controls, is controlled by, or is under common control with that Contractor Party. An entity is deemed to control another if it owns directly or indirectly at least fifty percent (50%) of (i) the shares entitled to vote at a general election of directors of such other entity, or (ii) the voting interest in such other entity if such entity does not have either shares or directors.

Non-Affiliated Party means a company or entity who is not an Affiliated Party or an Affiliate.

Associated Gas means Natural Gas produced in association with Crude Oil.

Calculation Date has the meaning given to it in Annexure III.

Calendar Quarter means a period of 3 consecutive months beginning January 1, April 1, July 1, or October 1 and ending on the following March 31, June 30, September 30 or December 31, respectively, according to the Gregorian calendar.

Calendar Year means a period of 12 consecutive months beginning January 1 and ending on the following December 31, according to the Gregorian calendar.

CNPA's Entitlement means the Government's share of Production as determined under Article 11, comprising the aggregate of:

- (a) the Government Royalty; and
- (b) CNPA's share of Net Petroleum.

Condition Precedent has the meaning given by Article 40.1.



Contract Area means the area specified from time to time by CNPA and recorded as Annexure I to this Agreement, as reduced from time to time by relinquishments under Article 5 and the other provisions of this Agreement.

Contract Operator means the Contractor Party appointed by the Contractor Parties as the operator or deemed by Article 35.2 to be the operator.

Contract Year means a period of twelve consecutive months beginning on the Effective Date, or on an anniversary of the Effective Date, according to the Gregorian calendar.

Contractor means the Contractor Parties collectively.

Contractor Parties means (Company) and its successors and any entity to which the whole or any part of its interest under this Agreement has been transferred in accordance with this Agreement. **Contractor Party** means any of them.

Contractor's Entitlement means Contractor's share of Production as determined under Article 11, comprising the aggregate of:

- (a) Cost Recovery Petroleum; and
- (b) Contractor's share of Net Petroleum.

Cost Recovery Petroleum means Production taken by Contractor and applied towards recovery of Petroleum Costs in accordance with Article 11.1.

Crude Oil means Petroleum produced at the wellhead in the liquid state and asphalt, ozokerite and liquid Petroleum known as distillate or condensate obtained from Natural Gas by condensation or extraction.

Data means all data (whether raw, processed or interpreted) in relation to the Contract Area including but not limited to geological, geophysical, geotechnical, production, engineering, well and technical data, reports and samples, as Contractor may compile and collect.

Development Operations means all activities undertaken in respect of the development of one or more Fields in a Production Area and all associated Production Facilities. Development Operations include but are not limited to:

- (a) drilling and abandoning development wells, whether these wells are dry or producing;
- (b) drilling and abandoning wells for the injection of water or gas to enhance recovery of Petroleum;
- (c) completing wells by way of installation of casing or equipment or otherwise after a well has been drilled, for the of bringing the well into use as a producing well or as a well for injection of water or gas to enhance recovery of Petroleum;



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- (d) the design, construction, installation, testing and commissioning of Production Facilities; and
 - (e) feasibility, engineering and design studies for Production Facilities.

Development Work Program means a Work Program for Development Operations.

Discovery means the location through Petroleum Operations of a previously undiscovered accumulation of Petroleum, which can be, recovered at the surface in a flow which is measurable by conventional petroleum industry testing methods.

Dispute Resolution Procedures means the provisions of Article 38.

Dollar means United States Dollar.

Effective Date means the date notified by CNPA to Contractor under Article 40.5 as the date on which the Condition Precedent is satisfied or CNPA reasonably estimates that the Condition Precedent is satisfied.

Exploration Area means those parts of the Contract Area, which from time to time are not within a Production Area.

Exploration Operations means all work directed towards the exploration for Petroleum, and the appraisal and evaluation of Petroleum, including:

- (a) geophysical, geochemical, geological and topographical data acquisition including processing, reprocessing and interpretation of such data;
- (b) drilling and abandoning exploration wells;
- (c) drilling and abandoning appraisal wells;
- (d) sampling and testing; and
- (e) undertaking pre-feasibility and feasibility studies and work.

Exploration Period means the Exploration Period as determined under Article 4 including any extensions made in accordance with the terms of this Agreement.

Exploration Work Program means a Work Program for Exploration Operations.

Field means a zone within the surface of the Earth consisting of a single Petroleum reservoir or multiple Petroleum reservoirs all grouped on, or related to, the same individual geological structural feature, or stratigraphic conditions from which Petroleum may be produced commercially and the area above that zone on the surface of the Earth.

General and Administrative Costs has the meaning given to it in Article 16.5.



Good Petroleum Industry Practices means the standards and practices, and exercise of that degree of skill, prudence and foresight, that would reasonably be expected of persons carrying out international petroleum operations, and adherence to best industry standards of the international petroleum industry, including world best environmental practices.

Government Royalty means the royalty held by the Government over Production from the Contract Area, as described in Article 11.1.

Home Office Overhead Costs has the meaning given to it in Article 16.6.

Inflation has the meaning given to it in Annexure III.

Input Tax Credits shall have the meaning given by the Law on Taxation.

Law on Taxation means the Law on Taxation dated February 24 1997, as amended from time to time.

Measurement Point means the location or locations in the Production Area or elsewhere in Cambodia agreed by CNPA and Contractor to be the measurement point for Petroleum Production, being a location or locations where Petroleum is delivered from the Field for transportation by truck, barge, marine tanker, pipeline or railway.

Minimum Rate of Return means in respect of a project an internal real rate of return of 16 percent.

Minimum Work Obligation means the work obligations that Contractor is required to complete during each Stage of the Exploration Period, as described in Article 6.

Natural Gas means Petroleum gas which is primarily methane but may include minor amounts of other Petroleum gases in order to meet heating value specifications at pipeline conditions as required by gas customers. Liquids which are extracted from Petroleum gases and usually known as LPG, condensate or distillate are treated as Crude Oil for the purposes of this Agreement.

Net Petroleum has the meaning given in Article 11.1.

NPV Project Cash Flow Test has the meaning given to it in Annexure III.

Offtake Point means the point or points agreed by CNPA and Contractor to be the offtake point for Petroleum Production at which custody and title to Production passes to Contractor and CNPA respectively in accordance with their respective Entitlements.

Parties means CNPA and the Contractor Parties, and **Party** means any of them.

Percentage Adjustment has the meaning given by Article 12.3(c)(iii)(B).

Petroleum means all hydrocarbon compounds.



Petroleum Costs means the petroleum costs and expenditures incurred by Contractor in the conduct of Petroleum Operations eligible for cost recovery, as described in Articles 15 and 16.

Petroleum Operations means all activities undertaken by Contractor under this Agreement with respect to the Contract Area, comprising Exploration Operations, Development Operations and Production Operations.

Petroleum Regulations means the Petroleum Regulations No. 01 dated 28 September 1991 published in the Cambodia Gazette, as amended from time to time.

Production means the Petroleum produced from a Field within the Contract Area (less the amount of Petroleum used for Petroleum Operations) and which is saved and measured by the measuring device at the Measurement Point.

Production Area means the area the subject of a Production Permit, such area being determined in accordance with Article 8.2.

Production Facilities means all plant, facilities, equipment and infrastructure required to develop a Field, to produce Petroleum from a Field and to deliver the Petroleum to each Offtake Point, including pipelines, flow lines, production and treatment units, wellhead, equipment, sub-surface equipment, enhanced recovery systems, offshore platforms, offshore loading systems including tankers, petroleum storage facilities, export terminals and piers, harbours and any other related facilities, and access roads for production activities.

Production Operations means operations for the recovery, treatment, handling, storage, transportation and delivery of Petroleum, up to the Valuation Point, and includes abandonment of facilities.

Production Period means the period specified in Article 9.2.

Production Permit means a permit to be issued under Article 8.

Production Work Program means a Work Program for Production Operations.

Readjustment Statement means a statement issued by Contractor to CNPA specifying the increase in CNPA's percentage entitlement to Net Gas in accordance with Article 12.4.

Real Costs has the meaning given to it in Annexure III.

Real Revenue has the meaning given to it in Annexure III.

Signature Date means the date on which this Agreement is executed by CNPA and *Kensteel*.

Subcontractor means any person hired by Contractor to carry out Petroleum Operations, other than an employee of a Contractor Party or an Affiliate of a Contractor Party.



Taxable Supply shall have the meaning given by the Law on Taxation.

Tax on Value Added shall have the meaning given by the Law on Taxation.

Valuation Point means, in the absence of agreement to the contrary between CNPA and Contractor, the inlet flange of a pipeline or loading facility in the Contract Area at which Petroleum reaches the metering station of the pipeline or the inlet flange of the lifting tanker's intake pipe.

Work Program means a work program and budget for Petroleum Operations submitted by Contractor and approved by CNPA under this Agreement (as amended from time to time) and includes an Exploration Work Program including the Minimum Work Obligations, a Development Work Program and a Production Work Program.

2 SCOPE

2.1 Scope

This Agreement sets out:

- (a) the terms on which Contractor shall have the exclusive right and responsibility to carry out Petroleum Operations, at its sole cost and risk, within the Contract Area during the term of this Agreement;
- (b) the rights and obligations of Contractor with regard to Petroleum Operations;
- (c) the procedure for approving Work Programs for Petroleum Operations;
- (d) the manner in which Contractor is entitled to recover Petroleum Costs incurred in carrying out Petroleum Operations;
- (e) the allocation of Production from the Contract Area between CNPA and Contractor, and the marketing of such Production; and
- (f) the Condition Precedent that must be satisfied before this Agreement has any force and effect.

2.2 CNPA to administer Agreement on behalf of Government

CNPA shall be responsible for administering this Agreement on behalf of the Government. Contractor shall be responsible to CNPA for the execution of Petroleum Operations in accordance with the provisions of this Agreement and the Petroleum Regulations.

3 EXPLORATION OPERATIONS

3.1 Contractor may carry out Exploration



During the Exploration Period, Contractor is entitled to enter the Contract Area and to carry out Exploration Operations in the Contract Area in accordance with this Agreement.

3.2 Exploration Work Programs

- (a) All Exploration Operations conducted by Contractor shall be in accordance with Exploration Work Programs which have been submitted by Contractor and approved by CNPA.
- (b) Within 90 days after the Effective Date, Contractor shall submit to CNPA an Exploration Work Program for Stage 1 of the Exploration Period. At least 30 days prior to the beginning of each subsequent Contract Year during the Exploration Period, Contractor shall submit to CNPA for approval an annual Exploration Work Program for the forthcoming Contract Year.
- (c) Each Exploration Work Program submitted by Contractor under this Article will be approved by CNPA within thirty (30) days as long as such Exploration Work Program includes the Minimum Work Obligations and is in accordance with Good Petroleum Industry Practices.

4 EXPLORATION PERIOD

4.1 Exploration Period

Subject to any extensions provided for under this Agreement, the Exploration Period will be a period determined as follows:

- (a) Stage I of the Exploration Period will commence on the Effective Date and will continue for a period of 3 Contract Years.
- (b) At least 90 days prior to the expiry of Stage I, Contractor may apply to CNPA for an extension of the Exploration Period for a period of 2 Contract Years commencing upon the expiration of Stage 1 ("Stage 2"). Subject to paragraph (d) and if applied for by the Contractor, CNPA will grant that extension within thirty (30) days.
- (c) At least 90 days prior to the expiry of Stage 2, Contractor may apply to CNPA for a further extension of the Exploration Period for a period of 2 Contract Years commencing upon the expiration of Stage 2 ("Stage 3"). Subject to paragraph (d) and if applied for by the Contractor, CNPA will grant that extension within thirty (30) days.



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- (d) CNPA will be entitled to refuse to grant the extension of the Exploration Period to Stage 2 or Stage 3 only if:
 - (i) Contractor has failed to meet the Minimum Work Obligation for the preceding Stage of the Exploration Period; or
 - (ii) Contractor has failed to provide a new guarantee as required under Article 6.7.
 - (e) The Exploration Period will terminate at the expiry of:
 - (i) Stage 1, in the event that no extension to Stage 2 is granted under paragraph (b);
 - (ii) Stage 2, in the event that no extension to Stage 3 is granted under paragraph (c);
 - (iii) Stage 3, in the event that no extension is granted under Article 4.2 or 4.3; or
 - (iv) any extension granted under Article 4.2 or 4.3.

4.2 Extension of Exploration Period to enable completion of work

- (a) Notwithstanding that Stage 2 or Stage 3 of the Exploration Period would otherwise expire, Contractor may at least 30 days prior to the expiry of Stage 2 or Stage 3 of the Exploration Period, as the case may be, apply to extend Stage 2 or Stage 3 of the Exploration Period for a period not exceeding 3 months, in order:
 - (i) to complete drilling, logging, testing or plugging of any well which is actually being drilled, logged or plugged at the end of Stage 2 or Stage 3 of the Exploration Period, as the case may be;
 - (ii) to complete any appraisal work;
 - (iii) to evaluate any discoveries; or
 - (iv) to prepare and submit Development Work Programs or an application for a Production Permit or both.
- (b) The CNPA shall extend the duration of the Exploration Period for 90 days on receipt of an application by Contractor under paragraph (a). The CNPA may extend the Exploration Period for such further period as it considers appropriate on application from Contractor. CNPA shall designate the area for the extension and Contractor shall relinquish the balance of the Exploration Area in accordance with Article 5.



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- (c) Where by thirty (30) days prior to the expiry of the Exploration Period Contractor has been unable to secure a market for Natural Gas for supply into Cambodia's domestic market or for export, Contractor may apply to CNPA for a non-renewable extension of the Exploration Period of I Contract Year. CNPA shall grant such extension within thirty (30) days provided that Contractor has complied with its Minimum Work Obligations for each Stage of the Exploration Period.

4.3 Contractor may request further extension beyond Stage 3

- (a) At, or within 30 days prior to, the end of Stage 3 of the Exploration Period, Contractor may apply for an extension of the Exploration Period in respect of any part of the Contract Area then remaining for the purpose of carrying out further Exploration Operations therein.
- (b) Such an application shall specify the proposed period of the extension, the additional Exploration Work Program and the part of the Contract Area affected.
- (c) CNPA may approve the application for such period and on such terms and conditions as it considers appropriate and are accepted by Contractor. CNPA shall endeavor to make its decision within thirty (30) days.

5 RELINQUISHMENT OF CONTRACT AREA

5.1 Mandatory relinquishment

- (a) Subject to paragraph (b), Contractor shall relinquish:
 - (i) a portion to be agreed by the Parties of the Contract Area by the end of Stage 2 of the Exploration Period, subject to mutual discussion;
 - (ii) all of the Contract Area at the end of Stage 3 of the Exploration Period;
 - (iii) any area required to be relinquished under Article 8.4(g); and
 - (iv) any area in respect of which an extension of Exploration Period was granted under Article 4.3, at the expiry of that extension if not renewed further.
- (b) Contractor shall not be required to relinquish under paragraph (a) any of the following:
 - (i) any area in the Contract Area that has been declared a Discovery Area;
 - (ii) any area in the Contract Area in respect of which Contractor has applied for a Production Permit, pending consideration of this application;



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- (iii) any area in the Contract Area in respect of which Contractor has been granted a Production Permit; or
 - (iv) any area in the Contract Area in respect of which CNPA has granted an extension of the Exploration Period under Article 4.3, during the period of that extension.

5.2 Voluntary relinquishment

Contractor may relinquish part or all of the Contract Area by giving prior written notice to CNPA if the conditions of this Agreement and the Petroleum Regulations have been met to the satisfaction of the CNPA (including the Minimum Work Obligations). Any area so relinquished will then be credited against the part of the Contract Area, if any, which Contractor is next required to relinquish under Article 5.1.

5.3 Relinquishment requirements

Contractor shall advise *CNPA*, by notice in writing 60 days in advance of the date of relinquishment, of the area to be relinquished under Article 5.1 or 5.2 of this Agreement. Contractor and CNPA will consult with each other regarding which part of a Contract Area is to be relinquished to ensure that, so far as is reasonable, the area or areas to be relinquished are sufficient size and convenient shape to enable Petroleum Operations to be conducted in that area.

5.4 No relief

No relinquishment of an area will operate to relieve Contractor from any obligation arising on or prior to relinquishment of that area.

6 MINIMUM WORK OBLIGATIONS DURING EXPLORATION PERIOD

6.1 Contractor to meet Minimum Work Obligations

During each stage of the Exploration Period, Contractor shall carry out at least the Minimum Work Obligations. In no event shall the Minimum Work Obligations be excused except in accordance with this Agreement.

6.2 Minimum Work Obligations for Stage 1

The Minimum Work Obligations for Stage 1 of the Exploration Period are as follows:



Work Obligation (Sample only)	Estimated Cost (Dollars)
(a) <i>Process, interpret and analyse existing data with respect to the Contract Area</i>	<i>\$80,000.00</i>
(b) <i>Acquire two hundred (200) sq km of 3D seismic data over selected parts of the Contract Area, process and interpret the data</i>	<i>\$1,200,000.00</i>
(c) <i>Drill one - (1) exploratory well to an estimated depth of 2,500 m or economic basement, whichever is reached first.</i>	<i>\$600,000.00</i>
<i>Total US\$</i>	<i>\$1,880,000.00</i>

6.3 Minimum Work Obligations for Stage 2

The Minimum Work Obligations for Stage 2 of the Exploration Period are as follows:

Work Obligation	Estimated Cost (Dollars)
(a) <i>Acquire two hundred (200) sq km of 3D seismic data over selected parts of the Contract Area</i>	<i>\$1,200,000.00</i>
(b) <i>Drill two (2) exploratory wells to an estimated depth of 2,500 m or economic basement, whichever is reached first.</i>	<i>\$1,200,000.00</i>
<i>Total US\$</i>	<i>\$2,400,000.00</i>

Contractor shall only be liable for the Minimum Work Obligations for Stage 2 if an extension to Stage 2 is granted by CNPA under Article 4.1 (b).

6.4 Minimum Work Obligations for Stage 3

The Minimum Work Obligations for Stage 3 of the Exploration Period are as follows:

Work Obligation	Estimated Cost (Dollars)
(a) <i>Acquire two hundred (200) sq km of 3D seismic data over selected parts of the Contract Area</i>	<i>\$1,200,000</i>
(b) <i>Drill two (2) exploratory wells to an estimated depth of 2,500 m or economic basement,</i>	<i>\$1,200,000</i>



<i>whichever is reached first.</i>	
<i>Total US\$</i>	<i>\$2,400,000.00</i>

Contractor shall only be liable for the Minimum Work Obligations for Stage 3 if an extension to Stage 3 is granted by CNPA under Article 4.1(c).

6.5 Estimated costs

- (a) The cost estimates set out above in relation to the Minimum Work Obligations are estimates only, based on current assumptions and market conditions, and are subject to change. If Contractor meets a Minimum Work Obligation, Contractor is not required to meet the corresponding cost estimate.
- (b) Contractor is not relieved from meeting *a Minimum Work Obligations merely* by meeting the corresponding cost estimate.

6.6 Excess work credited to Minimum Work Obligation

- (a) For the avoidance of doubt, Contractor may exceed the Minimum Work Obligation for any Stage of this Agreement.
- (b) If, during any Stage of the Exploration Period, Contractor exceeds the Minimum Work Obligation, then such excess will be credited against the Minimum Work Obligation applicable to the following Stage of the Exploration Period (if any).
- (c) If, as a result of a Discovery, Contractor undertakes an appraisal Work Program, then that Work Program will be credited against the Minimum Work Obligation applicable to the Exploration Period.

6.7 Bank Guarantee

- (a) Contractor shall provide to the Government, within 60 days after the Effective Date and at the beginning of each subsequent Stage of the Exploration Period, a bank guarantee in an amount which shall correspond to the total dollar amount of the estimated cost (as set out in this Article 6) of the Minimum Work Obligation to be completed during the relevant Stage of the Exploration Period. Each identifiable item of work to be committed by Contractor shall be assigned a portion of the bank guarantee. The bank guarantee will be in the form of an unconditional undertaking from a bank licensed and carrying on business in *Singapore, Switzerland, Hong Kong, Australia, the United Kingdom, Japan, or the United States or any other country approved in advance by CNPA*. The Government will give consideration to



accepting a company guarantee from an Affiliate of a Contractor Party, in lieu of a bank guarantee, if such can be reasonably justified to CNPA by Contractor.

- (b) The amount of such bank guarantee shall be reduced from time to time, upon completion of identifiable portions of the Minimum Work Obligation, by the amount assigned to such portion of the work in the bank guarantee.
- (c) If, at the end of any Stage of the Exploration Period or upon the date of termination of this Agreement, Contractor has failed to perform all or part of its Minimum Work Obligation for such Stage, then Contractor shall immediately pay to CNPA an amount equal to the estimated cost (as set out in this Article 6) of the unperformed items of Minimum Work Obligation for that Stage. If Contractor fails to pay such amount, then CNPA shall make a demand on the guarantor to pay such amount to CNPA under the current bank guarantee.
- (d) CNPA will only make a demand for payment under a guarantee made in its favour under Article 6.7(a) where Contractor has failed to perform all or part of its Minimum Work Obligations for the applicable Stage of the Exploration Period.

7 DISCOVERY AND APPRAISAL

7.1 Notice of Discovery

Contractor shall notify CNPA in writing immediately when Exploration Operations indicate a Discovery of commercial quantities of Petroleum within the Contract Area. This notice shall include all available details of the Discovery.

7.2 Appraisal work

If Contractor makes a Discovery which in the opinion of Contractor is of possible commercial significance then the following provisions will apply:

- (a) Within 3 months (or any longer period to which CNPA may agree) after the date on which Contractor gives notice of the Discovery to CNPA, Contractor shall submit for approval by CNPA an appraisal Work Program to evaluate the commercial viability of the Discovery.
- (b) The scope of the appraisal Work Program shall be adequate to assess the commercial viability of the Discovery, and may include, if appropriate, the drilling and testing of one or more wells, and studies related to recovery, treatment, transport, storage and marketing of Petroleum. The Work Program may be supplemented by further appraisal Work Programs. The duration of such Work Programs shall be for such periods as are reasonable to accomplish the appraisal



work, and may be extended with the approval of CNPA if it is satisfied that justifiable reasons for the extension exist.

- (c) If Contractor considers such appraisal activities unnecessary in order to evaluate the commercial viability of the Discovery, Contractor shall submit written reasons to CNPA and shall indicate the basis on which Contractor proposes to assess the commercial significance of the Discovery.

8 PRODUCTION PERMIT AND DEVELOPMENT OPERATIONS

8.1 Application for Production Permit

- (a) If Contractor makes a Discovery within the Exploration Area, Contractor may at any time prior to the end of the Exploration Period submit to CNPA an application for a Production Permit in respect of the Discovery.
- (b) Contractor is entitled to apply for a Production Permit if either:
 - (i) Contractor considers that the Field the subject of the Discovery can be commercially developed under prevailing conditions ("currently commercial"); or
 - (ii) in the case of a Natural Gas Field, Contractor considers that the Field cannot be commercially developed under prevailing market conditions, but may be able to be commercially developed in the future ("potentially commercial").
- (c) Contractor's application for a Production Permit will specify whether Contractor considers the Discovery to be currently commercial or, in the case of a Natural Gas Field, potentially commercial.

8.2 Production Area

- (a) An application for a Production Permit shall describe the Production Area in respect of which the Production Permit is sought.
- (b) The Production Area shall be a polygon in shape and shall have its geographical coordinates specified in the application.
- (c) The Production Area shall enclose an area which is sufficient to encompass:
 - (i) the Field encountered by the Discovery;
 - (ii) an additional reserve which is sufficient to capture all proved and probable reserves based on Contractor's best assessment at that time; and



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- (iii) such additional areas as Contractor may reasonably require for the development of the Field, including areas required for the location of Production Facilities.
 - (d) If, following the issue of a Production Permit, the extent of the Field is demonstrated to be different from that which was considered by Contractor to exist when it applied for the Production Permit, or if Contractor otherwise requires access to additional areas (within or outside the Contract Area) for the purposes of its Production Operations within the Production Area, Contractor may apply to CNPA for an adjustment to the Production Area. CNPA shall adjust the Production Area accordingly, provided that the Production Area may not be extended to include areas in respect of which CNPA has granted inconsistent rights to a third party.
 - (e) If the adjusted Production Area extends beyond the Contract Area, and is not inconsistent with any rights granted by CNPA to a third party, Contractor may submit an application to CNPA to have the boundaries of the Contract Area and Production Permit modified to encompass the full extent of the Field.

8.3 Development Work Program

- (a) If Contractor's application for a Production Permit states that the Discovery is currently commercial, then:
 - (i) The application shall include a detailed Development Work Program for development of the Discovery. The application will be approved by CNPA within thirty (30) days, provided that the Development Program is technically sound based upon Good Petroleum Industry Practices.
 - (ii) Within 30 days after CNPA approves the Development Work Program, CNPA shall issue a Production Permit to Contractor in respect of the Production Area. The term of the Production Permit will be until the end of the Production Period. The Production Permit shall be issued on such terms and conditions as are consistent with this Agreement, the Petroleum Regulations and Good Petroleum Industry Practices.
- (b) A detailed Development Work Program shall address:
 - (i) the Development Operations to be undertaken by Contractor for construction, establishment and operation of all facilities and services related to the recovery, treatment, transport, and storage of Petroleum from the Field; and

- (ii) the design and engineering specifications, necessary infrastructure investments, training and employment of Cambodian nationals, plans to maximise the use of Cambodian goods and services, plans to protect the environment and an explanation of the sources and amount of financing in respect of the activities contemplated by the Development Work Program.
- (c) If CNPA does not issue a Production Permit to Contractor under Article 8.3(a)(i) due to Contractor's failure to satisfy the conditions set forth in this Agreement, Contractor will relinquish the Discovery Area if requested to do so by CNPA.

8.4 Production Permit for potentially commercial Discovery

If Contractor's application for a Production Permit states that the Discovery is potentially commercial, then CNPA will grant to Contractor a Production Permit over the Production Area on the conditions set out in this Article.

- (a) The application shall include a conceptual Development Work Program. The conceptual Development Work Program shall describe, among other things, Contractor's proposal to secure a market for the Natural Gas Discovery, which shall be consistent with the priorities for securing a market for Natural Gas described in this Article and Article 13.5.
- (b) During the term of the Production Permit, Contractor shall:
 - (i) make substantive and reasonable efforts in good faith to secure, in an expeditious manner, a market for the Natural Gas which is sufficient to justify the commercial development of the Discovery; and
 - (ii) make substantive and reasonable efforts in good faith to secure, in an expeditious manner, an economically viable market for Natural Gas in Cambodia and shall cooperate and work with CNPA to develop such a market for Natural Gas in Cambodia.
- (c) Contractor shall consult with CNPA, and keep CNPA informed, with respect to Contractor's conduct and efforts under paragraph (b). CNPA will likewise consult with Contractor, and keep Contractor informed, with respect to CNPA's efforts to develop a market for Natural Gas in Cambodia.
- (d) The initial term of the Production Permit will be 5 years. Prior to the end of the 5 year period (and each subsequent period for which the Production Permit has been extended), CNPA and Contractor shall review the progress in developing and securing an economically viable market for the Natural Gas. If an economically viable market for Natural Gas has not been secured, CNPA shall renew the



Production Permit for a subsequent period of 5 years. If, 15 Calendar Years after the issue of the initial Production Permit, Contractor has been unable to secure a market for Natural Gas, renewal of the Production Permit by CNPA under this paragraph shall be at the discretion of CNPA.

- (e) As soon as Contractor has secured a market for the Natural Gas which is sufficient to justify the commercial development of the Discovery, Contractor shall submit a detailed Development Work Program in respect of the Discovery to CNPA in accordance with Article 8.3 and shall submit details of the relevant gas sales contracts. If approved by the CNPA in accordance with Article 8.3, the Production Permit shall then be extended until the end of the Production Period.
- (f) During the term of the Production Permit, Contractor may continue to carry out Exploration Operations within the Production Area.
- (g) If CNPA does not issue a further Production Permit to Contractor in accordance with Article 8.4(d), Contractor will relinquish the Production Area if requested to do so by CNPA.

8.5 Development Operations

Following the approval of a Development Work Program, Contractor is entitled to carry out Development Operations within the Production Area in accordance with the terms of the Production Permit and in accordance with the approved Development Work Program.

8.6 Expanded Projects

Contractor may submit a proposal to CNPA, to develop a Marine Offshore Supply Base with tax exemption zoning. CNPA will consider any such proposal submitted.

9 PRODUCTION OPERATIONS

9.1 Production Operations

- (a) Following the completion of Development Operations under an approved Development Work Program, Contractor will be entitled to carry out Production Operations within the Production Area, and will be entitled to continue Production Operations during the Production Period.
- (b) Production Operations will be carried out in accordance with production Work Programs prepared by Contractor and approved by CNPA. Contractor will submit to CNPA a proposed Production Work Program at least 90 days prior to the



commencement of commercial production. CNPA shall issue its approval or any objections within thirty (30) days. The first Production Work Program will cover the period from the commencement of commercial production until 31 December next following. Thereafter, Contractor will submit proposed Production Work Programs for each Calendar Year and will submit each proposed Production Work Program at least 90 days prior to the commencement of each Calendar Year.

9.2 Duration of Production Period

- (a) The Production Period shall commence on the first commercial production day and expire thirty (30) years thereafter.
- (b) If commercial production from the Field remains possible at the expiration of the Production Period, CNPA shall extend the Production Period for the period of projected commercial production as reasonably determined by the Parties or by an independent expert, provided Contractor requests an extension at least 90 days prior to the expiration of the Production Period, and such consent by CNPA shall not be unreasonably *withheld*.

10 ASSOCIATED GAS

10.1 CNPA may take uncommercial Associated Gas

If Contractor produces Associated Gas in the course of Crude Oil production and if Contractor considers that Associated Gas may not be commercial to develop and is not necessary for pressure maintenance, CNPA may take and utilise such Associated Gas that is not required for Petroleum Operations without charge, except that all handling and transportation from the outlet of the first separation facility shall be at the sole cost and risk of CNPA. Contractor will design, construct and operate all such facilities, at CNPA's cost, to ensure compatibility with Contractor's own plant, operational management and safety systems.

10.2 Conservation of Associated Gas

- (a) Associated Gas which is not used in Petroleum Operations or is not developed, sold, taken or utilised by CNPA pursuant to this Agreement shall be re-injected into a subsurface structure, if technically and economically justifiable.
- (b) CNPA will permit the flaring of Associated Gas for short time periods during production tests, where such flaring accords with Good Petroleum Industry Practices.



- (c) CNPA may permit Contractor to flare Associated Gas during the Production Period where CNPA considers that flaring associated gas is appropriate having regard to Good Petroleum Industry Practices.

11 ALLOCATION OF PRODUCTION

11.1 Government Royalty and Cost Recovery Petroleum

Production shall be allocated in the following manner and in the following order of priority:

- (a) First, 12.5% of Production shall be retained by the Government as Government Royalty.
- (b) Second, Contractor shall have the right to take, from 90% of the remaining Production, an amount of Production equal in Dollar value to its unrecovered Petroleum Costs from the entire Contract Area for the current and prior Contract Years (“Cost Recovery Petroleum”).
- (c) Third, the remaining Production (referred to as “Net Oil” or “Net Gas” individually or “Net Petroleum” collectively) shall be allocated in accordance with Articles 11.2 and 11.3, subject to adjustment, in the case of Natural Gas, in accordance with Article 12.

11.2 Allocation of Net Oil

- (a) Net Oil shall be allocated between Contractor and CNPA in the following manner:

Net Oil will be allocated between Contractor and CNPA within 60 days after the end of each Calendar Year, based on the weighted average daily rate of Net Oil produced during the Calendar Year, as follows:

Net Oil production (annual average BOPD)	Contractor's allocation	CNPA's allocation
Up to 30,000 BBL per day	55%	45%
Portion in excess of 30,000 BBL per day	45%	55%



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- (b) The allocation of Net Oil will be implemented in the following manner:
- (i) Prior to the commencement of each Calendar Year, Contractor shall submit to CNPA Contractor's best estimate of the weighted average daily rate of Net Oil to be produced during the coming Calendar Year. Contractor may submit revisions of this estimate from time to time as justified by actual operations, together with supporting evidence.
 - (ii) CNPA will determine, in accordance with the basis of allocation specified in paragraph (a) and Contractor's estimates provided under paragraph (b)(i), an interim allocation of Net Oil between Contractor and CNPA for the Calendar Year. This interim allocation will be applied over the Calendar Year.
 - (iii) At the end of the Calendar Year, Contractor and CNPA will determine any adjustment to Contractor and CNPA allocations of Net Oil necessitated by the difference, if any, between the actual Net Oil production figures for the Calendar Year and Contractor's estimates. Any adjustments will be by addition to or deduction from CNPA's allocation of Net Oil over the next Calendar Year.

11.3 Allocation of Net Gas

Net Gas shall be allocated between Contractor and CNPA in the following percentages, subject to adjustment in accordance with Article 12.

Contractor's share	CNPA's share
60 percent	40 percent

12 RATE OF RETURN

12.1 Rate of Return

- (a) The parties intend that Contractor's real internal rate of return for any Natural Gas development for supply of Natural Gas produced by Contractor into Cambodia's domestic market be not less than the Minimum Rate of Return as described in this Article 12.
- (b) The parties acknowledge that the mechanism specified in this Article 12 is not intended to operate to subsidise exports of Natural Gas to any market outside Cambodia.

12.2 Annual Rate of Return Calculation and adjustment



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- (a) Not later than 30 days after each Calculation Date, Contractor will calculate the result of the NPV Project Cash Flow Test for that Calculation Date.
 - (b) Contractor will provide CNPA with historical costs and revenues and future cost and revenue forecasts and key assumptions on which the result of the NPV Project Cash Flow Test will be based before the calculation. Contractor will provide details of its calculations and will consult with [CNPA](#) regarding the calculations.
 - (c) Subject to paragraph (d), CNPA may have those calculations (including historical cash flows, estimates, forecasts and key assumptions) reviewed by an independent expert with appropriate internationally recognised expertise. The independent expert's costs shall be met by the Contractor and shall be eligible for cost recovery. If the independent expert demonstrates that a calculation is materially wrong, or an estimate, forecast or key assumption unreasonable, then Contractor will correct the error and modify the result of the affected calculation accordingly.
 - (d) Where the results of the NPV Project Cash Flow Test is zero or positive, CNPA will not request that an independent expert review those results, except as provided for in Article 12.4.

12.3 Adjustment Statements

- (a) If, for any Calculation Date following the first day of commercial production, the result of the calculation of NPV Project Cash Flow Test is negative, then Contractor will submit to CNPA an Adjustment Statement for the Calendar Year following that Calculation Date.
- (b) Subject to paragraph (c), the Adjustment Statement will set out the adjustment to CNPA's percentage entitlement to Net Gas proposed for the Calendar Year following the Calculation Date required to bring the NPV Project Cash Flow Test for the following Calculation Date to zero.
- (c) Where Real Revenue and Real Costs include either revenue and costs generated or incurred, or forecast to be generated or incurred, in respect of Petroleum Production from a project other than a Natural Gas development for supply of Natural Gas produced by Contractor into Cambodia's domestic market, and by virtue of Real Revenue and Real Costs attributed to such Petroleum Production the result of the NPV Project Cash Flow Test in respect of a Calculation Date is the same as or lower than the NPV Project Cash Flow Test would be excluding such revenue and costs, the following shall occur:
 - (i) the NPV Project Cash Flow Test in respect of a Calculation Date shall be recalculated excluding Real Revenue and Real Costs in respect of

Petroleum Production from a project other than a Natural Gas development for supply of Natural Gas produced by Contractor into Cambodia's domestic market;

- (ii) the NPV Project Cash Flow Test in respect of Calculation Date shall be recalculated using only Real Revenue and Real Costs in respect of Petroleum Production from project(s) for supply of Natural Gas produced by Contractor into Cambodia's domestic market;
- (iii) an Adjustment Statement will be submitted to CNPA setting out:
 - (A) the amount of additional Real Revenue that would be required to bring the NPV Project Cash Flow Test to zero at the Calculation Date when calculated in accordance with Article 12.3(c)(i) and (ii) (*Additional Revenue*); and
 - (B) the adjustment, as set out in paragraph (iv), to CNPA's percentage entitlement to Net Gas for the Calendar Year following the Calculation Date required to deliver Contractor the Additional Revenue (*Percentage Adjustment*).

For the purpose of determining the Percentage Adjustment, all additional Real Revenue that would accrue to Contractor from the adjustment to CNPA's percentage entitlement to Net Gas as set out in the Adjustment Statement shall be deemed to be Real Revenue in respect of Petroleum Production from a project(s) for supply of Natural Gas produced by Contractor into Cambodia's domestic market, whether or not such additional Real Revenue is actually generated or forecast to be generated from such a project(s); and

- (iv) the Adjustment Statement submitted under paragraph (iii) will be based on whichever of the NPV Project Cash Flow Tests recalculated under sub paragraph (i) and (ii) results in the smaller adjustment to CNPA's percentage entitlement to Net Gas proposed for the Calendar Year following the Calculation Date.
- (d) Contractor will provide CNPA with the calculations, estimates, forecasts and key assumptions used to calculate the Adjustment Statement before finalising the Adjustment Statement. Contractor will consult with CNPA regarding those calculations.
- (e) CNPA may, as part of any independent expert review instituted under Article 12.2(c) request that the calculations, estimates and key assumptions underlying an



Adjustment Statement be reviewed. If the independent expert demonstrates that a calculation is materially wrong, an estimate or key assumption unreasonable, then Contractor will correct the error demonstrated and modify the Adjustment Statement accordingly.

12.4 Readjustment Statements

- (a) If:
- (i) CNPA's percentage entitlement to Net Gas has, in a previous Calendar Year, been subject to adjustment under an Adjustment Statement; and
 - (ii) the result of Calculation of the NPV Project Cash Flow Test using Actual Revenue and Actual Costs only is positive,

then Contractor shall submit to CNPA a Readjustment Statement for the Calendar Year following that Calculation Date. The Readjustment Statement will set out the increase to CNPA's percentage entitlement to Net Gas proposed for the Calendar Year following the Calculation Date required to return to CNPA the value of Petroleum transferred from CNPA to Contractor under all Adjustment Statements. For this purpose, the value of Petroleum transferred from CNPA to Contractor under an Adjustment Statement equals:

$$X (1.16)^n$$

where,

X is the total value of Petroleum transferred from CNPA to Contractor under an Adjustment Statement in a previous Calendar Year; and

n is the number of Calendar Years between the Calculation Date in respect of which the Adjustment Statement was submitted and the Calculation Date in respect of which the Readjustment Statement is submitted.

- (b) Contractor will provide CNPA with the calculations, estimates, forecasts and key assumptions used to calculate the Readjustment Statement before finalising the Readjustment Statement. Contractor will consult with CNPA regarding those calculations.
- (c) CNPA may have the results of the calculation of the NPV Project Cash Flow Test and calculation of a Readjustment Statement reviewed by an independent expert expert with appropriate internationally recognised expertise. The independent expert's costs shall be met by the Contractor and shall be eligible for cost recovery. If the independent expert demonstrates that a calculation is materially wrong or



assumption unreasonable, then Contractor will correct the error demonstrated and modify the Readjustment Statement accordingly.

12.5 Adjustment of CNPA's Net Gas Entitlement

- (a) CNPA's percentage entitlement to Net Gas in a Calendar Year will be adjusted in accordance with the terms of a valid Adjustment Statement or Readjustment Statement for that Calendar Year. For the avoidance of doubt, neither CNPA's nor Contractor's percentage entitlement to Net Gas may be less than zero percent for any year.
- (b) Notwithstanding Article 12.4, a Readjustment Statement shall not bring the calculation of NPV Project Cash Flow Test, using Real Revenue and Real Costs, to below zero.

12.6 Additional rights

- (a) In addition to Contractor's other rights and responsibilities under this Article 12, where:
 - (i) Contractor has discovered additional Natural Gas reserves which Contractor wishes to supply to Cambodia's domestic gas market; and
 - (ii) Contractor has an approved Development Work Program for a gas development for export of Natural Gas to a market outside Cambodia;

Contractor may, prior to development of those additional Natural Gas reserves, apply to CNPA to have Contractor's proposed Natural Gas development for supply of Natural Gas into Cambodia's domestic market designated as a Subsidised Project.

- (b) CNPA may designate a Natural Gas development for supply of Natural Gas produced by Contractor into Cambodia's domestic market as a Subsidised Project where it considers that such designation is in Cambodia's national interest.
- (c) Where CNPA designates a Natural Gas development for supply of Natural Gas produced by Contractor into Cambodia's domestic market as a Subsidised Project, for the purpose of determining the results of the NPV Project Cash Flow Test in respect of that development, Real Costs and Real Revenues attributed to Contractor's existing gas development for export of Natural Gas to a market outside Cambodia shall be excluded from the calculations described in this Article 12 and Annexure III. **[to be clarified with CNPA]**

12.7 Expert Determination



Where Contractor or CNPA forms a reasonable and good faith opinion that an independent expert determination under Article 12.2(c), 12.3(e) or 12.4(c) is materially incorrect or inaccurate, Contractor or CNPA (as the case may be) shall be entitled to refer the matter for final determination by an Independent Expert in accordance with Article 38.3.

13 MARKETING AND SALE OF PRODUCTION

13.1 Marketing of Crude Oil

The following provisions apply to the marketing of Production of Crude Oil:

- (a) Subject to Article 13.2, Contractor shall have the right to sell, dispose of, and export Contractor's Entitlement to Crude Oil (free of export duties) and freely remit or retain the proceeds abroad.
- (b) Contractor and CNPA will each be responsible for separately marketing and lifting their respective Entitlements. However, the Parties agree that they will consider having Contractor coordinate joint liftings and marketing to avoid interruption in production or to address safety and environmental concerns or if market conditions warrant.
- (c) CNPA may from time to time request Contractor to market and lift CNPA's Entitlement in conjunction with, and on the same terms as, Contractor's own Entitlement. CNPA may, at its option, and upon at least 90 days prior written notice to Contractor, require Contractor to give CNPA all information available to it concerning possible purchasers of CNPA's Entitlement and possible terms and conditions of sale. CNPA shall give instructions regarding the sale and marketing of its Entitlement in a timely manner so as not to interfere with Contractor's sale and lifting arrangements.
- (d) If Contractor and CNPA separately market their respective Entitlements, then:
 - (i) each Party will take its respective entitlement at the Measurement Point, or other point as mutually agreed;
 - (ii) CNPA shall from time to time notify Contractor of the delivery schedules and amount of Petroleum that CNPA will take in kind;
 - (iii) CNPA and Contractor shall agree on appropriate lifting arrangements for their respective Entitlements but in any event, as far as practicable, each party shall take alternate lifting; and



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- (iv) each Party will ensure that liftings are programmed to avoid any interruption in Crude Oil production resulting from lack of Crude Oil storage.

13.2 Obligation to supply Crude Oil Production for internal demand

CNPA has the right to order Contractor to sell to the Government, for domestic consumption, a portion of Contractor's share of Net Oil to meet the internal demand of Cambodia, subject to Contractor's existing sales commitments and the following provisions:

- (a) Before exercising this right, CNPA shall give prior written notice of at least one (1) Calendar Quarter to Contractor.
- (b) The maximum quantity of Contractor's share of Net Oil that it shall be required to sell to the Government to meet such internal demand shall not exceed the amount which is equal to the total of such demand which cannot be met by all crude oil produced in the Kingdom of Cambodia to which the Government is entitled, multiplied by the amount of Contractor's share of Net Oil, and divided by the total amount of allocations of all contractors producing crude oil in the Kingdom of Cambodia.
- (c) If Contractor sells to the Government a portion of Contractor's share of Net Oil to meet domestic consumption needs, that Crude Oil will be valued in accordance with Article 14. The Government will pay for that Crude Oil in Dollars, to an external bank account outside Cambodia nominated by Contractor, no later than 30 days after that Crude Oil is lifted. To the extent that Contractor elects to have such payment made within Cambodia, the said Dollars shall be freely exportable from Cambodia without payment of transfer taxes or other charges.

13.3 Export of Contractor's Entitlement

Contractor shall have the right to sell, dispose of and export Contractor's Entitlement to Natural Gas (free of export duties) and freely remit or retain the proceeds abroad.

13.4 Marketing of Natural Gas

CNPA and Contractor shall cooperate when marketing Natural Gas and Contractor will coordinate, lead and direct the marketing effort and negotiation of sales price, quantity and other necessary terms and conditions of any contract of sale or amendment of such contracts.

13.5 Securing a Market for Natural Gas in Cambodia

- (a) CNPA will endeavour, prior to the discovery by Contractor of Natural Gas reserves, to:



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- (i) take preliminary steps to study the economics of a potential development of Natural Gas for supply into Cambodia's domestic market;
 - (ii) develop and enhance Cambodia's legal and regulatory framework to facilitate investment in infrastructure and other projects associated with Natural Gas development; and
 - (iii) liaise with potential investors in infrastructure, industrial, manufacturing and other projects associated with Natural Gas development, with a view to anticipating investors' needs and devising a strategy to encourage development and investment in Cambodia.
- (b) CNPA will endeavour, following discovery by Contractor of Natural Gas reserves, to:
- (i) review the appropriateness of its strategy to encourage development and investment in Cambodia; and
 - (ii) implement its revised strategy with the aim of developing a market for Natural Gas in Cambodia that is sufficient to take Natural Gas to be produced by Contractor.
- (c) Contractor shall:
- (i) cooperate and collaborate with CNPA in its endeavours under paragraphs (a) and (b); and
 - (ii) in seeking to secure a market for Natural Gas to be produced by Contractor, simultaneously investigate the market for Natural Gas in Cambodia (including to the Government or for any project within Cambodia that the Government promotes) and any export market for sale or disposal of Natural Gas outside Cambodia.
 - (iii) *in conjunction with CNPA, and at Contractor's sole cost, to evaluate and study the options for development of a gas-fuelled power plant, under a Build Own Operate, Build Operate Transfer or other basis, and associated projects.*
- (d) CNPA acknowledges that it may be unsuccessful in its attempts to develop a market for Natural Gas in Cambodia that is as attractive to Contractor as any export for sale or disposal of Natural Gas outside Cambodia. Accordingly, nothing in this Article 13.5 limits Contractor's rights under Article 13.3.
- (e) Where, at any time during the period from the date of issue of a Production Permit in respect of a Discovery under Article 8.4 to the date on which Contractor submits



a detailed Development Work Program in respect of that Discovery for approval under Article 8.4(e), a commercially comparable market for Natural Gas exists within Cambodia, sufficient to take Natural Gas to be produced by Contractor from that Discovery, Contractor shall give priority to the supply of that Natural Gas to Cambodia's domestic gas market over export of that Natural Gas. Assessment of whether markets are commercially comparable shall include assessment by reference to projected revenues, projected costs (including infrastructure costs) and risk profile taken as a whole.

14 VALUATION OF PRODUCTION

14.1 Scope

The value of Petroleum will be determined in accordance with this Article 14.1 for all purposes under this Agreement including:

- (a) determining the allocation of Petroleum between CNPA and Contractor pursuant to [Article 11](#);
- (b) CNPA's payment entitlements for the Petroleum allocated to it pursuant to this Agreement and sold on its behalf by Contractor;
- (c) Contractor's payment entitlements for Net Oil it is required to sell to the Government under Article 13.2.

14.2 Value

The value of Petroleum for the purposes of this Agreement will be the value at the Valuation Point. Any dispute relating to the value of Petroleum shall be referred to an independent expert in accordance with Article 38.3.

14.3 Arm's length sales

In the case of an arm's length sale of Petroleum, the Petroleum sold will be valued at the realised price for the sale netted back to the Valuation Point.

14.4 Non-arm's length sale

In the case of a non-arm's length sale or other disposal of Petroleum, the value of Petroleum sold or otherwise disposed of will be whichever is the higher of:

- (a) the revenue received from sale of the Petroleum at the first point of sale netted back to the Valuation Point; or

- (b) the prevailing market price in South East Asia for arm's-length sales of comparable Petroleum in comparable circumstances, adjusted as necessary to take account:
 - (i) in the case of Natural Gas, of specifications and calorific value, netted back to the Valuation Point; and
 - (ii) and in the case of Crude Oil, of quality, quantity, grade and specific gravity of the Crude Oil production, netted back to the Valuation Point.

In determining the prevailing market price the CNPA shall have regard to internationally recognised industry publications that regularly report upon petroleum prices referable to South East Asia.

14.5 Definitions

For the purposes of this Article:

- (a) an *arm's length sale* means a sale or other disposal to an independent bona fide purchaser who is not an Affiliate of any Contractor Party and who has no relationship with Contractor or any Contractor Party, whether contractual or otherwise, that would or might cause Contractor to accept a lower price for the *sale* of Petroleum than it would otherwise accept.
- (b) A *non-arm's length sale* means a sale or other disposal that is not an arm's length sale, and includes any sale or disposal to CNPA.
- (c) The reference to netted back means:
 - (i) the value realised referred to in Article 14.3; or
 - (ii) the value calculated in accordance with Article 14.4,

minus, in accordance with internationally recognised practise in the off-shore petroleum industry, Contractor's costs (if any) directly related to activities downstream from the Valuation Point to, and including, the first point of sale, being all or any of:

- (A) transportation, storage, processing and marketing of Petroleum (including any commissions and brokerage paid not exceeding the customary and prevailing rates);
- (B) depreciation of relevant petroleum assets (on an agreed basis);
- (C) certain interest costs associated with the acquisition and construction of the relevant petroleum facilities (on an agreed basis); and



(D) the Contractor's overhead expenses directly related to such costs.

In the case of sea transport of Crude Oil on a c.i.f. basis, freight (including tankers), insurance, demurrage at the port of destination, wharfage at the port of destination and loading, heating costs in the case of Crude Oil (where required of the Crude Oil), cargo surveys and a volumatic loss of up to 0.05% of the quantity of Crude Oil loaded in the Contract Area, may also be subtracted from the amounts specified in paragraphs (c)(i) and (c)(ii), as applicable, in order to ascertain the value of Petroleum in accordance with this Article 14.

14.6 Sales and disposals

Contractor shall notify CNPA, as required by CNPA, of quantities and sales prices of all Petroleum from the Contract Area sold or disposed of.

15 RECOVERY OF PETROLEUM COSTS

15.1 Recovery of Petroleum Costs

- (a) Contractor shall have the right to recover Petroleum Costs out of Production in the manner set out in this Agreement.
- (b) Contractor's books and accounts shall be prepared and maintained in accordance with a generally accepted and recognised accounting system consistent with Good Petroleum Industry Practices.
- (c) All calculations required to determine Petroleum Costs shall be done in Dollars. Where costs are denoted in any other currency, they shall be translated into Dollars at the exchange rate set, on the day the payment was made, by a reputable international bank designated by CNPA.

15.2 General description of Petroleum Costs

- (a) Petroleum Costs are described generally as all costs and expenditures incurred by Contractor in the course of or relating to Petroleum Operations and which are part of a Work Program (and associated budgets) that has been approved by CNPA, minus the receipts described in Article 16.9 and which costs are not specifically excluded from being treated as Petroleum Costs under the terms of this Agreement. Petroleum Costs are further classified and described in Article 16.
- (b) The costs qualifying as Petroleum Costs will include all costs and expenditures which are:



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- (i) incurred, measured and recorded by Contractor in accordance with the generally accepted accounting procedures (as specified under Article 15.1(c) and, where consistent with the foregoing, Contractor's normal accounting methods and procedures (a copy of which will be supplied to CNPA); or
 - (ii) as otherwise permitted under the Petroleum Regulations or this Agreement.

15.3 Contractor to keep financial records of Petroleum Costs

Contractor shall keep complete financial accounts and records in the English language on a cash accounting basis recording all Petroleum Costs and all amounts recovered as Cost Recovery Petroleum. Such accounts and records shall be kept in Dollars or such other currency as may be mutually agreed, and shall be kept at the office of Contract Operator in Cambodia.

15.4 Quarterly statements of Petroleum Costs

- (a) Contractor shall submit to CNPA within 30 days after the end of each Calendar Quarter a statement of Petroleum Costs showing:
 - (i) the total amount of unrecovered Petroleum Costs carried forward from the preceding Calendar Quarter;
 - (ii) the amount the Petroleum Costs incurred during the Calendar Quarter, itemised in such classifications of expenditure as CNPA may prescribe;
 - (iii) the amount of Petroleum Costs recovered during the Calendar Quarter through Cost Recovery Petroleum, showing the calculation of the amount; and
 - (iv) the total amount of unrecovered Petroleum Costs as at the end of the Calendar Quarter, to be carried forward to the next Calendar Quarter.
- (b) All books, records and accounts required to support a Quarterly statement of unrecovered Petroleum Costs shall be available, upon giving of reasonable notice by CNPA, for inspection by CNPA, at the office of Contract Operator in Cambodia at any time during office working hours.
- (c) CNPA may, within 120 days following the end of a Calendar Quarter covered by a statement under par (a), notify Contractor that it considers such statement to be inaccurate. Such notice shall be in writing and shall specify which items CNPA considers may be inaccurate and shall also state CNPA's reasons for such opinion. Upon receipt of the notice, Contractor shall confer with CNPA to resolve the issue



in a satisfactory manner. If CNPA does not give such notice within the time period stated above, then such statement shall be considered as approved.

- (d) CNPA is entitled to disallow Contractor's claim for particular costs where:
- (i) those costs were not reported either in a Quarterly statement of Petroleum Costs for the Quarter in which they were incurred or in the following Quarterly statement, or in the annual statement of Petroleum Costs for the Contract Year to which it pertains, except where such non-reporting results from a bona fide error on the part of Contractor's staff; or
 - (ii) the claim for costs is not consistent with this Agreement or the Petroleum Regulations.

15.5 Ability of CNPA to disallow costs claimed by Contractor

CNPA may require Contractor to provide further details of the cost of obtaining the goods or services obtained on a non-arm's length basis (including from any Affiliate of a Contractor Party) described in the quarterly or annual statement of petroleum costs if, in its opinion, the cost of such goods or services varies significantly from the expected market cost.

16 PETROLEUM COSTS

16.1 Classifications

Petroleum Costs will be classified and subdivided as follows:

- (a) Exploration Costs;
- (b) Development Costs;
- (c) Production Costs;
- (d) General and Administrative Costs; and
- (e) Home Office Overhead Costs.

16.2 Exploration Costs

Eligible exploration costs will be those direct and allocated indirect expenditures incurred in respect of Exploration Operations (Exploration Costs), including:

- (a) geophysical, geochemical, geological and topographical data acquired or created, including processing, reprocessing and interpretation of such data; -

- (b) labour, materials, equipment and services used in drilling exploration and appraisal wells; and
- (c) any other expenditures incurred in the search for Petroleum within the Contract Area after the Effective Date but prior to the declaration of the relevant Discovery Area by the CNPA.

16.3 Development Costs

Eligible development costs will include those direct and allocated indirect expenditures incurred in respect of Development Operations (Development Costs), including:

- (a) drilling of wells, other than appraisal wells, which are completed as producing wells, and drilling of wells for the purpose of producing from a Petroleum reservoir, whether these wells are dry or producing, and drilling of wells used for the injection of water or gas to enhance recovery of Petroleum;
- (b) completing wells by way of the installation of casing or equipment or otherwise after a well has been drilled for the purpose of bringing the well into use as a producing well or as a well for the injection of water or gas to enhance recovery of Petroleum; and
- (c) construction of facilities for the extraction, lifting and production of Petroleum.

16.4 Production Costs

Production Costs are all direct and allocated indirect expenditures incurred in respect of Production Operations (Production Costs).

16.5 General and Administrative Costs

- (a) General and Administrative Costs comprise:
 - (i) reasonable management, administrative and general costs in respect of Petroleum Operations incurred by Contractor in Contractor's representative office and field offices in Cambodia including, but not limited to, supervisory, accounting, legal, technical and employee relations services;
 - (ii) reasonable management, administrative and general costs in respect of Petroleum Operations incurred outside Cambodia by Contractor and its Affiliates including, but not limited to, supervisory, accounting, legal, technical and employee relations services;



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- (iii) reasonable general costs in respect of Petroleum Operations incurred outside Cambodia by Contractor and its Affiliates including costs in respect of financial, office and personnel services.
 - (b) All General and Administrative Costs will be based on actual costs without any profit element to Contractor.
 - (c) Contractor may at its election maintain General and Administrative Costs as a separate cost category, or allocate General and Administrative Costs between Exploration Costs, Development Costs and Production Costs respectively, provided that such allocation occurs in accordance with internationally recognised petroleum industry accounting practices. For the avoidance of doubt, no cost described in Article 16.6 shall be eligible for recovery as a General and Administrative Cost.

16.6 Home Office Overhead Costs

- (a) Home Office Overhead Costs are intended to reflect the following costs incurred by Contractor in its home office, to the extent that such costs assist Contractor to conduct Petroleum Operations in respect of the Contract Area:
 - (i) executive costs, reflecting the time of executive officers above the rank of regional exploration manager;
 - (ii) treasury costs, reflecting the provision of financial advice and other advice in respect of foreign exchange and payment of invoices;
 - (iii) purchasing and forwarding costs, reflecting costs relating to procuring materials, equipment and supplies;
 - (iv) Exploration and Production costs, reflecting costs in connection with directing, advising and controlling Petroleum Operations and other matters in connection with this Agreement; and
 - (v) indirect Affiliate costs, reflecting all indirect services provided to Contractor by the Affiliates of any Contractor Party which services are not direct and allocated indirect expenditures covered by Article 16.2, 16.3, 16.4 and 16.5, such as legal, tax, engineering, employee relations and personnel, recruiting, administrative, accounting and audit assistance.
- (b) Home Office Overhead shall, prior to the date of approval of the first Development Work Program in respect of the Contract Area, be recoverable in the amount resulting from application of the following percentage rates to the total of all Petroleum Costs for the Contract Year other than General and Administrative Costs:



Total Petroleum Costs, less General and Administrative Costs, paid during the Contract Year	Home Office Overhead Costs (%)
For each dollar up to \$2,000,000.00	5
For each dollar of the next \$3,000,000	3
For each further dollar	1

- (c) Home Office Overhead Costs shall, from the date of approval of the first Development Work Program in respect of the Contract Area, be recoverable in the amount of one half of one percent (0.50%) of all Petroleum Costs for the Contract Year other than General and Administrative Costs.
- (d) Contractor shall make provisional quarterly charges to the accounts based on the above rates.
- (e) The percentage rates specified in paragraphs (b) and (c) will be reviewed annually by Contractor and CNPA and shall be adjusted if it is necessary so that such charges reflect a reasonable estimate of actual cost to Contractor for the matters set out in paragraph (a).

16.7 Allocation of common costs

Development Costs and Production Costs which are incurred in respect of facilities used in more than one Production Area shall be allocated between the relevant Production Areas, taking into account the estimated usage by each Production Area, in accordance with a basic standard to be agreed between Contractor and CNPA.

16.8 Exclusions from Petroleum Costs

Despite any other provision of this Agreement, the following costs and expenses shall not be included in Petroleum Costs:

- (a) costs and expenses incurred prior to the Effective Date, except for Contractor's costs of meeting CNPA's legal services costs in respect of negotiation and award of this Agreement;
- (b) costs and expenses not related to Petroleum Operations in the Contract Area;
- (c) costs and expenses specifically excluded as Petroleum Costs under this Agreement;
- (d) any taxes imposed by Cambodia or any income or withholding taxes imposed by any other country;



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- (e) penalties, fines or similar charges paid in Cambodia or any other countries;
 - (f) bonuses, fees and other charges paid to CNPA under Articles 18.1 and 18.2 of this Contract;
 - (g) royalties paid to the CNPA under this Contract;
 - (h) costs of marketing Petroleum and the costs of transporting, storing, handling and exporting Petroleum downstream from the Valuation Point;
 - (i) losses which are recovered through insurance or any contract of indemnity;
 - (j) payments of principal, interest or other costs on a loan or other financial accommodation obtained in connection with Petroleum Operations (including interest components of credit-purchase agreements and finance leases);
 - (k) realised foreign exchange losses;
 - (l) expenses incurred on education and training of Cambodian nationals (other than employees of Contractor or its Subcontractors) which are not approved in writing in advance by CNPA;
 - (m) replacement and repair costs of any asset or other property which Contractor had agreed to insure, but which Contractor has failed to insure at all or for the amount agreed with the CNPA;
 - (n) for the avoidance of doubt, any costs and charges related to the formation of a related company or any partnership or joint venture arrangement, payments of dividend or the cost of issuing shares, repayment of equity capital or payments associated with farm-in agreements or excess costs associated with assigning an interest in this Agreement by a Contractor Party;
 - (o) all costs, expenses and charges relating to the settlement of disputes, including all costs and expenses of arbitration or litigation proceedings, unless approved in advance by CNPA;
 - (p) costs incurred as a result of a material non-compliance by Contractor with a provision of this Agreement or the Petroleum Regulations;
 - (q) costs incurred as a result of the demonstrably willful, reckless or negligent non-compliance by Contractor with a provision of this Agreement. For the avoidance of doubt, nothing in this Article 16.8 affects any other rights or claims by the CNPA in respect of any breach of this Agreement by Contractor; and
 - (r) expenditures of a personal nature, gifts and donations, other than those approved in writing in advance by the CNPA.



16.9 Receipts

All monies received by Contractor, other than for the disposal of Petroleum produced from the Contract Area, which are directly related to the conduct of Petroleum Operations in the Contract Area shall be notified to CNPA and deducted from Petroleum Costs for the purposes of recovery of those costs. Such receipts include the following:

- (a) any amounts received from the sale or disposal of Petroleum produced from production testing operations undertaken in Exploration or Development Periods;
- (b) any amounts received for the disposal, loss, or destruction of property the cost of which is recoverable under this Agreement;
- (c) any amounts received by Contractor under an insurance policy, the premiums of which are Petroleum Costs, in respect of damage to or loss of property, the replacement costs of which are recoverable;
- (d) any amounts received as insurance, compensation or indemnity in respect of Petroleum production lost or destroyed prior to the Offtake Point;
- (e) any amounts received from the hiring or leasing of property, the cost of which property is recoverable under this Agreement, and also any amounts received from entering into a tolling agreement or any other agreement relating to such property;
- (f) any amounts received from supplying information obtained from surveys, appraisals or studies the cost of which is recoverable under this Agreement;
- (g) any amounts received as charges for the use of employee amenities, the cost of which is recoverable under this Agreement;
- (h) any amounts received in respect of expenditures which - are recoverable under this Agreement, by way of indemnity or compensation for the incurring of the expenditure, refund of the expenditure, or rebate, discount or commission in respect of the expenditure; and
- (i) realised foreign exchange gains.

16.10 Apportioning of costs and Petroleum receipts

Where property, or any other thing, for which a Petroleum Cost is allowable or a receipt deducted from Petroleum Costs in accordance with Article 16.8 or Article 16.9, is only used partially in conducting Petroleum Operations, only that proportion of the cost or the receipt which relates to the conduct of Petroleum Operations will be allowed as an Petroleum Cost or deducted from Petroleum Costs in accordance with Article 16.8 or Article 16.9.



17 INCOME TAX

17.1 Contractor to pay income tax

- (a) Contractor shall pay to the Government, on a Calendar Year basis, income tax at the rate of 25% on Contractor's allocation of Net Petroleum less fees under Article 18.1 and 18.2 and adjusted for any realised foreign exchange gains and losses. Income tax shall be paid in Dollars to the Ministry of Finance Tax Department.
- (b) CNPA shall ensure that proper official receipts are issued to Contractor evidencing the payment of Contractor's Cambodian income tax for each tax year within 90 days following receipt by CNPA of Contractor's tax declaration for that year. Such receipts shall be issued by the proper tax authorities and shall state the amount paid and other particulars customary for such receipts.

18 SURFACE RENTAL, FEES AND CHARGES

18.1 Surface rental

Contractor shall, on a Calendar Year basis, pay to the Government annual surface rental for areas within the Contract Area. The first payment of surface rental shall be due and payable on 1 January 2005. The payment for each subsequent Calendar Year will be made within 30 days after the commencement of that Calendar Year. Annual surface rental will be payable in Dollars, at the following rates:

Annual Surface Rental	Rate (Dollars)
1. For Exploration Area during Stage 1 of the Exploration Period	\$10 per square kilometre of unrelinquished Exploration Area.
2. For Exploration Area during Stage 2 and 3 of the Exploration Period	\$20 per square kilometre of unrelinquished Exploration Area.
3. For Exploration Area during any additional extension of Exploration Period	\$40 per square kilometre of unrelinquished Exploration Area.
4. For a Production Area	\$500 per square kilometre of unrelinquished Production Area.

18.2 Fees payable to CNPA



Contractor shall also pay to CNPA in Dollars the following fees:

1.	For each extension of the Exploration Period	\$ 1,000
2.	For each Production Permit	\$ 10,000
3.	For any adjustment to Production Permit	\$ 1,000
4.	For each extension of Production Permit	\$ 10,000
5.	For transfer of any rights for Petroleum Operations	\$ 15,000
6.	CNPA assistance for survey work	at cost
7.	CNPA assistance with boundary location for Contract Area	at cost

CNPA will be under no obligation to implement the relevant action until such time as the applicable fee has been paid.

18.3 Charges for services actually rendered by CNPA

Contractor shall pay to CNPA all generally applicable charges for services actually rendered by CNPA, where such services are rendered at the request of Contractor.

18.4 Exemption from other tax, duties, tariffs and charges

- (a) Except as provided in Article 17, Contractor and its Affiliates shall be exempt from income tax, withholding taxes on interest payments, and other taxes and tariffs and charges due to The Government or local authorities which would otherwise be imposed in connection with or arising out of Petroleum Operations (including financing of Petroleum Operations).
- (b) Contractor and Subcontractors shall be exempt from all customs duties and tariffs, exit duty and other similar taxes and duties due to the Government or local authorities which would otherwise be imposed on them in connection with Petroleum Operations.
- (c) Contractor may, from time to time, by notice in writing to CNPA, nominate up to 10 specified non-Cambodian citizens employed by Contractor in connection with Contractor's Petroleum Operations in Cambodia (Nominated Employees) whom Contractor desires to be entitled to an exemption from Cambodian income tax. At no time may more than ten persons be Nominated Employees. Contractor may, from time to time, by notice in writing to CNPA, change its Nominated Employees. Nominated Employees shall be exempt from income tax in Cambodia for the period for which they are Nominated Employees.



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- (d) Taxable Supplies made by Contractor or its Affiliates in connection with or arising out of Petroleum Operations (including financing of Petroleum Operations) or the sale, disposal or export of Petroleum produced from a Field within the Contract Area, shall be exempt from the Tax on Value Added. The Tax on Value Added shall apply to all other Taxable Supplies in accordance with the Law on Taxation. Contractor and its Affiliates may claim Input Tax Credits in accordance with the Law on Taxation or procedures to be prescribed by CNPA. Contractor and its Affiliates shall comply with any procedures prescribed by CNPA in connection with payment, collection, levy or application of the Tax on Value Added, including any prescribed requirements to notify and inform the Government of Taxable Supplies in respect of which the Tax on Value Added has not been levied, applied or paid or has been levied or applied at the tax rate of 0 percent.

19 WORK PROGRAMS

19.1 Petroleum Operations to be conducted in accordance with approved Work Programs

- (a) Contractor shall conduct all Petroleum Operations in accordance with Work Programs submitted by Contractor and approved by CNPA.
- (b) Contractor will submit separate Work Programs for Exploration Operations, appraisal work, Development Operations and Production Operations.

19.2 Content of Work Programs

Each Work Program submitted by Contractor will:

- (a) contain a description of the Petroleum Operations that Contractor proposes to carry out under the Work Program;
- (b) contain a budget of the corresponding Petroleum Costs that Contractor estimates will be incurred in carrying out those Petroleum Operations; and
- (c) in relation to Work Programs relating to the Exploration Period, incorporate the applicable Minimum Work Obligations.

19.3 Procedure for review and approval of Work Programs

The Parties will adopt the following procedure for the review and approval of Work Programs submitted by Contractor:

- (a) Within 21 days after the submission by Contractor of a Work Program, CNPA may require Contractor to provide within a reasonable time such further information as it may require to evaluate the Work Program.



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- (b) Within 60 days after the later of submission by Contractor of a Work Program or submission by Contractor of the further information requested from Contractor, CNPA may advise Contractor of revisions to the proposed Work Program required by CNPA. CNPA may require revisions to a proposed Work Program if the revisions are reasonably appropriate in the circumstances, based on Good Petroleum Industry Practices. Upon Contractor making such revisions as may be mutually agreed, CNPA shall approve the Work Program.
 - (c) If the CNPA does not, within 60 days of the later of submission by Contractor of a Work Program or submission by Contractor of the further information requested from Contractor, request revisions to the proposed Work Program under paragraph (b) or reject a proposed Work Program, the Work Program shall be deemed approved at the end of the 60 *days*.
 - (d) If CNPA requires revisions that Contractor does not agree with, then CNPA and Contractor will meet within 7 days to discuss their differences. If the Parties cannot reach agreement within 14 days thereafter, either Party may refer the matter for resolution in accordance with the Dispute Resolution Procedures. The Work Program which is determined as a result of the Dispute Resolution Procedures will be deemed an approved Work Program for the purposes of this Agreement.

19.4 Scheduling of work under approved Work Programs

- (a) An approved Work Program shall contain a schedule for commencement and completion of the work covered by the Work Program.
- (b) Contractor shall commence and complete the work under an approved Work Program in accordance with the time schedule therein.

19.5 Suspension of approved Work Programs

Contractor shall not suspend any Petroleum Operations under approved Work Programs, except for justifiable technical or economical reasons approved in writing by CNPA prior to suspension of Petroleum Operations, or for Force Majeure. Such prior approval by CNPA shall not be unreasonably withheld and is not required for temporary suspensions arising due to emergencies or other causes threatening personal injury or serious damage to property.

19.6 Amendment of approved Work Programs

- (a) Contractor may from time to time submit to CNPA variations to existing approved Work Programs.



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- (b) Any proposed variation to an approved Work Program will be reviewed and dealt with in accordance with the same procedures as are applicable to the approval of Work Programs.
 - (c) If Contractor considers that the detailed implementation of an approved Work Program requires change due to new geological information or more *modern* exploration technology, or for other reasons, Contractor may apply to CNPA to approve such changes as it deems necessary. Contractor shall specify in its application the reasons for the proposed change. The CNPA may approve the change if CNPA considers that the change is appropriate.

19.7 Emergency work and expenditure

In the event of an emergency, Contractor shall take all actions it deems necessary or appropriate to protect life, property, the environment and the interests of CNPA and Contractor. All such actions will be deemed to have occurred in accordance with an approved Work Programs.

19.8 Import and Export at Project Site

Contractor and its Subcontractors may import and export directly to and from the site of Petroleum Operations such goods, materials, vessels and other equipment as are necessary for Petroleum Operations, in accordance with any procedures prescribed by CNPA.

20 OBLIGATIONS OF CONTRACTOR IN RESPECT OF PETROLEUM OPERATIONS

20.1 Contractor to provide all capital, technology, etc.

Except as otherwise provided in this Agreement, Contractor shall provide all capital, technology and personnel necessary to conduct Petroleum Operations. Contractor shall endeavour to transfer non proprietary technology from Contractor or its Subcontractors to Cambodian firms and companies, with the objective of developing Cambodian local technical and managerial capabilities.

20.2 Contractor to bear all risk

Except as otherwise provided in this Agreement, Contractor shall carry out Petroleum Operations at its sole cost and risk. Petroleum Costs may be recovered by Contractor out of Production in accordance with this Agreement. If no commercial field is discovered in the Contract Area, or if the Production achieved is insufficient to recover Petroleum Costs, Contractor shall bear its own losses.



20.3 Standards of operations

- (a) Contractor shall conduct Petroleum Operations diligently and in accordance with the Petroleum Regulations and Good Petroleum Industry Practices designed to achieve the efficient and safe exploration and production of Petroleum and to maximise the ultimate economic recovery of Petroleum from the Contract Area.
- (b) Contractor shall observe sound technical and engineering practices in conduct of all Petroleum Operations.

20.4 Materials, equipment and facilities

All materials, equipment and facilities used in Petroleum Operations shall comply with Good Petroleum Industry Practices, and shall be kept in good working order.

20.5 Protection of Petroleum

While conducting Petroleum Operations, Contractor shall endeavour to:

- (a) ensure that Petroleum discovered and produced within the Contract Area does not escape and is not wasted, either physically or economically or in any other way;
- (b) prevent damage to any adjacent Petroleum, water-bearing formations, and other natural resources;
- (c) manage the reservoir in accordance with Good Petroleum Industry Practices, including preventing external entrance and non-interventional entrance of water into Petroleum formations;
- (d) *maximise* production from the fields where petroleum is discovered, consistent with Good Petroleum Industry Practices; and
- (e) maximise its rate of recovery of Petroleum consistent with Good Petroleum Industry Practices and Contractor arrangements for sale of Petroleum.

20.6 Safety

- (a) While conducting Petroleum Operations, Contractor shall take all reasonable measures, consistent with Good Petroleum Industry Practices, to maintain safety and to avoid any personal injury or loss of life.
- (b) Upon commencement of Petroleum Operations, Contractor shall provide CNPA with copies of its safety plans, procedures and policies with respect to Petroleum Operations under this Agreement. The Parties shall adopt and comply with the same procedure for the review and approval of such safety plans, procedures and policies as provided for Work Programs by Article 19.3, as if the reference to Work



Programs in that Article was read as a reference to safety plans, procedures and policies.

- (c) Contractor represents, undertakes and warrants that it will comply with the terms and conditions of its approved safety plans, procedures and policies with respect to the conduct of Petroleum Operations under this Agreement.

20.7 Environmental protection

- (a) While conducting Petroleum Operations, Contractor will take all reasonable measures, consistent with Good Petroleum Industry Practices, to protect and minimise damage to the natural environment, and to avoid causing any loss or damage to animals, natural property, forest, fishery and archaeological objects.
- (b) Upon commencement of Petroleum Operations, Contractor will provide CNPA with copies of its environmental management plans and specify the measures to be undertaken by Contractor to comply with its obligations under paragraph (a). The Parties shall adopt and comply with the same procedure for the review and approval of such environmental management plans as provided for Work Programs by Article 19.3, as if the reference to Work Programs in that Article was read as a reference to environmental management plans.
- (c) Contractor represents, warrants and undertakes that it will comply with the terms and conditions of its approved environmental management plans with respect to the conduct of Petroleum Operations under this Agreement.
- (d) Contractor shall be liable to and indemnify the Government for any damage or harm to the environment arising out of or in connection with Petroleum Operations under this Agreement (*Environmental Damage*), whether or not that Environmental Damage causes loss to Government, and without limiting the generality of the foregoing Contractor shall:
 - (i) indemnify and hold harmless the Government for any loss, liability, cost or expense suffered or incurred by the Government or any other person arising out of or in connection with any Environmental Damage; and
 - (ii) be liable to CNPA for all clean-up or remediation costs and expenses incurred by CNPA or any other person to restore the environment or mitigate any damage or harm to the environment caused by or arising out of or in connection with Petroleum Operations under this Agreement.
- (e) Where Petroleum Operations cause pollution of the environment, Contractor shall be responsible for cleaning up, at Contractor's expense, such pollution and shall be



liable for all damage and expense in connection with such pollution to the extent that it results from the negligence, or breach of this Agreement or any laws or regulations of Cambodia by Contractor or its Subcontractors.

20.8 Safety of Navigation

- (a) Contractor will take the appropriate steps to avoid interference with, and conduct all Petroleum Operations in a manner that will have a minimal effect on, navigation and fishing in the waters of the Contract Area.
- (b) Contractor will make secure and safe all structures in the Contract Area, including the installation of appropriate safety equipment, such as warning lights.

20.9 Zone of Operations

Contractor shall not without the prior written approval of CNPA conduct Petroleum Operations within 500 metres of boundary of the Contract Area.

21 OBLIGATIONS OF GOVERNMENT

21.1 Contractor to have exclusive right to carry out Petroleum Operations

CNPA agrees that, subject to this Agreement, Contractor shall have the exclusive right to carry out Petroleum Operations within the Contract Area during the term of this Agreement.

21.2 Sanctity of fundamental provisions

The Government shall ensure that during the term of this Agreement Contractor's rights and obligations hereunder shall not be changed unilaterally.

21.3 Change in laws

The terms of this Agreement have been negotiated and agreed having due regard to the terms of the Petroleum Regulations in force on the Effective Date. If, at any time or from time to time, there should be changes in the Petroleum Regulations, or if there should be the introduction of any other legislation, regulations or orders, which materially increases the financial burden of Contractor, then CNPA shall agree to amend the terms of this Agreement in favour of Contractor so as to take account of such changes or introduction.

21.4 Access to Contract Area

- (a) Contractor shall have the right to ingress to and egress from the Contract Area, all adjacent areas and Contractor's facilities, wherever located, at all times.
- (b) Nothing herein shall limit the right of the Government, its servants, employees and agents and other contractors of the Government to move freely and lay pipelines



and construct other facilities, within the Contract Area or to authorise others to do so, provided such conduct does not cause undue interference with Petroleum Operations. The parties will agree reasonable procedures for notification and co-ordination of activities.

21.5 Access to land for Petroleum Operations and Security

- (a) Except for areas in which Petroleum Operations are prohibited, CNPA shall place at the disposal of Contractor public areas reasonably required by Contractor for Petroleum Operations at a reasonable surface rent to be fixed by CNPA. Possession of such areas shall be returned to the Government when no longer required for Petroleum Operations.
- (b) If land required for Petroleum Operations is private land, Contractor may utilise it by paying appropriate compensation, or by directly concluding a lease agreement with the landowner, or by purchasing such land in the name of CNPA, subject to the conditions prescribed by CNPA. If it is not practical or possible to utilise the area in that manner, CNPA shall acquire such area on a permanent or temporary basis and will lease it to Contractor, on terms reflecting prevailing market conditions, for utilisation for Petroleum Operations under this Agreement.

21.6 CNPA assistance in obtaining Government approvals

- (a) CNPA shall, at Contractor's request and cost, assist Contractor and its Subcontractors in obtaining all Government permissions, registrations, licences, visas and other approvals and rights which are necessary to carry out Petroleum Operations under this Agreement, *including all necessary permits for importing the equipment, machineries, materials, goods, and other ancillaries as are necessary for Petroleum Operations.*
- (b) CNPA shall assign two representatives (or more than two upon Contractor request) on a permanent basis to assist Contractors. CNPA's representatives shall provide the following Services:
 - (i) advise and assist Contractor as described in paragraph (a); and
 - (ii) advise and assist Contractor in relation to appropriate and reasonable security arrangements for Contractor's personnel and property, in particular, liaison with Cambodia's Defence Forces where requested by Contractor.

In consideration for the provision of the Services, Contractor shall pay CNPA **\$2,000** per month (*Service Fee*) plus all expenses reasonably incurred in



connection with provision of the Services, including all generally applicable fees and charges levied by any Ministry, authority or other Government body other than CNPA for the approvals and rights necessary to carry out Petroleum Operations. The monthly Service Fee payable by Contractor shall be increased by 5 percent (%) each Calendar Year, with effect from 1 January of that year. CNPA shall from time to time in its discretion issue invoices to Contractor for amounts due to CNPA under this Article 21.6(b). Contractor shall, within 30 days of receipt of the invoice, transfer in immediately available funds the full amount due under the invoice, net of all bank charges levied on the transfer or receipt of the funds, into the CNPA bank account nominated in writing by CNPA to Contractor. All such amounts paid by Contractor shall be included in Petroleum Costs.

21.7 Consents and approvals not to be unreasonably delayed or withheld

The Petroleum Regulations and this Agreement require consents, approvals and information to be given, and certain measures- to be prescribed, for the proper execution and supervision of Petroleum Operations. Delays in giving such consents, approvals and information and the taking such measure may hinder the expeditious execution supervision of Petroleum Operations. Therefore, CNPA and Contractor agree that any requested consents, approvals and information shall, where possible, be given expeditiously.

21.8 *Radio Communication by Contractor's between Onshore and Offshore Facilities*

22 FACILITIES

22.1 Facilities within Production Area

Contractor shall construct, operate, repair and maintain in accordance with Good Petroleum Industry Practices all facilities required in a Production Area in connection with Petroleum Operations.

22.2 Facilities outside Production Area

- (a) Contractor shall have the right to construct, operate, repair and maintain roads, pipelines, and other transportation, communications and storage facilities in Cambodia outside a Production Area that are necessary to carry out Petroleum Operations, subject to prior approval of a Development Work Program by CNPA and acquisition of surface area in accordance with Article 21.5. Contractor's facilities may include terrestrial (radio, microwave and cable) and satellite communications systems (international and domestic) to the extent necessary for Petroleum Operations.

- (b) If the Government undertakes the construction, operation, repair and maintenance outside a Production Area of any such facilities which are required by Contractor in order to carry out Petroleum Operations, Contractor shall have the right to use such facilities on terms that are calculated by reference to the Costs of construction, operation, repair and maintenance of such facilities, plus a mutually agreed amount to cover amortisation, interest and a reasonable profit.

22.3 Contractor's infrastructure facilities available for use by other persons

The Government may require that infrastructure facilities (including, but not limited to, roads, pipelines and other transportation, communication and storage facilities) constructed by Contractor in Cambodia in or outside a Production Area be made available to the Government and other persons in an emergency, or in other circumstances provided that the use of such facilities does not materially impair the efficient and economic conduct of Petroleum Operations by Contractor. Contractor shall have a priority right to use said infrastructure facilities. The Government or such other persons shall have a right to use such facilities on terms that are calculated by reference to the reasonable costs of operation, repair and maintenance of such infrastructure facilities, plus a mutually agreed amount to cover amortisation, interest and a reasonable profit which amount shall be credited to Petroleum Costs.

22.4 CNPA may acquire ownership of Contractor's permanent facilities

- (a) In this clause, "Contractor's permanent facilities" means all permanent facilities constructed and owned by Contractor or a Contractor Party and used exclusively in connection with Petroleum Operations, but excluding facilities belonging to and leased from third parties (including third parties who perform services as Subcontractors).
- (b) With regard to each item of Contractor's permanent facilities:
- (i) Contractor will give notice to CNPA when Contractor no longer requires the facility for the purposes of Petroleum Operations.
 - (ii) Within 60 days after such notice, CNPA may elect by notice to Contractor to acquire the facility at no cost.
 - (iii) Upon CNPA so electing, title to and risk in respect of the facility shall pass to CNPA.
 - (iv) Thereafter, if Contractor has a need to use or access the facility to conduct Petroleum Operations, Contractor shall be entitled to do so without being



obliged to make any payment to CNPA, other than to compensate CNPA for the reasonable costs of operating, repairing and maintaining such facility.

22.5 Removal of Contractor's permanent facilities not acquired by CNPA

At the end of this Agreement:

- (a) CNPA may require Contractor at Contractor's cost to remove all or part of:
 - (i) Contractor's permanent facilities;
 - (ii) any facilities leased from a third party; and
 - (iii) any facilities owned by its Subcontractors,which remain in the Contract Area at the end of this Agreement.
- (b) Following such removal, Contractor shall restore the Contract Area, including the sea-bed area if the Contract Area is located off-shore, consistent with Good Petroleum Industry Practices to the reasonable satisfaction of CNPA.

22.6 Removal of facilities other than Contractor's permanent facilities

Except for Contractor's permanent facilities, all of Contractor's other facilities, equipment and assets used in Petroleum Operations may be freely removed and exported from Cambodia.

23 MEASUREMENTS

23.1 Measuring equipment

- (a) At the Measurement Point, Contractor shall provide and install the necessary equipment and perform all measurements of Petroleum produced from Contract Area and sold or disposed of. If it is necessary or desirable to replace or repair such equipment, Contractor shall inform CNPA in advance.
- (b) The Government may inspect, or cause to be inspected by a selected qualified specialist, the measurements and equipment described in Article 23.1(a) at any time at its own cost and risk and may reject the use of any equipment it considers inaccurate or defective.
- (c) Where measurement equipment is demonstrated to be inaccurate or defective, Contractor and CNPA shall agree an adjustment to offset the effect of such inaccuracy or defect as required.



24 REPORTS AND INFORMATION

24.1 Information

Contractor shall keep CNPA regularly and fully informed of all Petroleum Operations. Without limiting the generality of the foregoing obligation Contractor shall notify CNPA in advance of all significant Petroleum Operations.

24.2 Inspection of operations

- (a) CNPA has the right, at its own cost and risk, to be present at and to observe all Petroleum Operations, provided that the exercise of this right does not cause unreasonable delay or interference to Contractor.
- (b) Contractor shall provide local transportation and accommodation for a reasonable number of representatives of CNPA on terms and conditions to be mutually agreed.

24.3 Quarterly and annual reports

- (a) Contractor shall submit to CNPA within 30 days after the end of each Calendar Quarter, a report on all Petroleum Operations and a statement of Petroleum Costs incurred in that Calendar Quarter.
- (b) Contractor shall submit to CNPA within 90 days after the end of each Contract Year, a report on all Petroleum Operations and a statement of Petroleum Costs incurred in that Contract Year.
- (c) All such quarterly and annual reports shall include such information as CNPA may reasonably prescribe.

24.4 Information required under the Petroleum Regulations

Contractor shall deliver to CNPA within the times prescribed all reports, data and information, and analyses and interpretations thereof, pertaining to the Contract Area and Petroleum Operations which are required under this Agreement and the Petroleum Regulations.

24.5 Records of operations

- (a) Contractor shall maintain full and accurate records of all technical operations and maintenance work performed under this Agreement.
- (b) Contractor shall, to the extent that it will not breach any obligation of confidentiality owed to a third party, provide CNPA with all details relating to field production facilities, pipeline transportation systems and terminal storage and



export facilities used in connection with Petroleum Operations. CNPA may at any time require Contractor to report the quantities of Petroleum stored in any such facilities.

25 AUDITS

25.1 Access

- (a) Contractor and Contractor Party Affiliates shall ensure that CNPA shall, on giving reasonable notice in accordance with Article 25.2, have free access at reasonable times during normal business hours to all books, records, accounts and inventories maintained by Contractor and Contractor Party Affiliates so far as the same relates to Petroleum Operations.
- (b) Contractor and Contractor Party Affiliates shall *ensure* that CNPA shall, on giving reasonable notice in accordance with Article 25.2, have free access at reasonable times during normal business hours to all books, records, accounts and inventories maintained by any auditor of Contractor or any Contractor Party Affiliate so far as the same relates to Petroleum Operations.

25.2 Notice

CNPA shall give at least fourteen (14) days' written notice pursuant to this Agreement of its intention to conduct an audit of Contractor's books, records, accounts and inventories, and shall make reasonable efforts to conduct any audits pursuant to this Article jointly or simultaneously in a manner which will result in a minimum of inconvenience to Contractor. Contractor shall make all reasonable efforts to co-operate with any audit and will provide reasonable assistance in relation thereto.

25.3 Costs

CNPA may require Contractor to pay the reasonable cost of any audit by CNPA, and such costs shall constitute recoverable Petroleum Costs.

25.4 Report

- (a) CNPA shall provide a copy of the audit report to Contractor within thirty (30) days of the completion of the audit. The audit report shall state, to the extent possible, an opinion as to the completeness and accuracy of Contractor's books, records, accounts and inventories and shall comment on any matter or concern arising out of the audit, including Contractor's books, records *and* accounts in relation to



Petroleum Costs and the amounts recorded and claimed by Contractor as Petroleum Costs.

- (b) The audit report shall include any claims made by CNPA against Contractor, arising out of the audit, in connection with any statement of Petroleum Costs submitted by Contractor to CNPA. Failure to include a claim in an audit report shall not prevent CNPA from making such claim at any other time.

25.5 Adjustments

Contractor shall reply to the report in writing within thirty (30) days and shall promptly record all adjustments or other matters which have been agreed upon between Contractor and CNPA. All Parties shall use commercially reasonable best efforts to resolve any outstanding issues in connection with the audit and audit report in a timely manner.

25.6 Disagreements

Outstanding claims or other matters in connection with the audit or audit report which cannot be settled by agreement shall be referred to the Joint Review Committee for settlement before going to arbitration.

25.7 Time Limits

CNPA shall have the right to conduct further investigations of the relevant books, records, accounts and inventories in relation to any outstanding claim or other matter in connection with the audit or audit report until such claim or matter has been settled.

25.8 External auditors

CNPA may engage auditors of international standing to conduct on its behalf audits under this Article. The reasonable cost of such assistance shall be chargeable to Contractor and shall constitute a recoverable Petroleum Cost.

25.9 Third party Contracts

Contractor shall use its best efforts to secure access by the auditor to all relevant contracts and such other material as is necessary for the proper conduct of the audit.

25.10 Audit Results

Where an audit under this Article demonstrates that there has been an error in calculating Petroleum Costs or Income Tax under this Agreement, an adjustment payment shall be made by Contractor to CNPA to offset the effect of the error, including adjustment to rate of return calculations under Article 12, as appropriate. Any amount due to CNPA as a consequence of an erroneous claim for a Petroleum Cost or any Income Tax unpaid shall bear interest at LIBOR plus 3 percent.



26 DATA

26.1 Data generated by Contractor

The following provisions apply to Data generated or acquired by Contractor in the course of Petroleum Operations under this Agreement:

- (a) Contractor shall provide to CNPA two legible copies of the Data within 30 days of the final processed Data being available. Such data shall be provided in digital format
- (b) CNPA shall have title to the Data and Contractor will be obliged to treat the Data as Confidential Information. However, Contractor shall be entitled to freely use the Data for the purposes of Petroleum Operations, including to export all Data and samples from the Kingdom of Cambodia for the purposes of processing, testing, analysis and interpretation.
- (c) CNPA will also be obliged to treat the Data as Confidential Information, except for Data over parts of the Contract Area which have already been relinquished by Contractor, which Data CNPA shall be free to use or disclose.

26.2 Access by Contractor to Data held by Government

- (a) Contractor shall have the right to have access to and to use any non-confidential Data held by the Government or by any other government agency or entity, relating to:
 - (i) the Contract Area; and
 - (ii) Areas adjoining the Contract Area,on such terms and conditions as are agreed by Contractor and CNPA.
- (b) Contractor will be obliged to treat all Data provided by, or received or acquired from, the Government under this Article as Confidential Information.

27 CONFIDENTIALITY

27.1 Confidential Information

For the purposes of this Agreement, “Confidential Information” includes:



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- (a) all Data and other information relating to Petroleum Operations or the Contract Area acquired or received by either Party from the other, and which information is not in the public domain;
 - (b) the text of this Agreement, any amendment thereto, or any correspondence between the Parties relating thereto; and
 - (c) all Data required by either Party to be treated as Confidential Information under Article 26. .

27.2 Confidential Information to be kept confidential

- (a) Where a Party is required to treat Data, information or other documents or material as Confidential Information, or receives Confidential Information from the other, that Party shall keep confidential the Confidential Information and shall not disclose the Confidential Information except as permitted under this Agreement or with the prior written approval of the other Party, which approval shall not be unreasonably withheld if the intended recipient of the information gives an undertaking in form and substance satisfactory to the other Party to keep such information confidential.
- (b) The obligations described in Article 27.2(a) will continue for a period of 2 years after termination of this Agreement.

27.3 Permitted disclosures

A Party is entitled to disclose Confidential Information to the following personnel and in the following circumstances:

- (a) to a Government Ministry, Authority or official where considered appropriate by CNPA;
- (b) to a Subcontractor involved in Petroleum Operations;
- (c) to any Affiliated Party of a Contractor Party;
- (d) to any entity to whom a Contractor Party intends to transfer any part of its interest under this Agreement, provided that a confidentiality agreement has been executed with the said entity;
- (e) to an external consultant whose services are required by CNPA or Contractor, provided that a confidentiality agreement has been executed with the said consultant;



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- (f) to a bank or financial institution from which Contractor is seeking finance, provided that a confidentiality agreement has been executed with the said bank or financial institution;
 - (g) to the extent that this Agreement obliges Contractor, by application of the laws or regulation applicable to Contractor, or in conformity with the rules of an official Stock Exchange on which shares of Contractor or its Affiliates are listed;
 - (h) to the extent that the Confidential Information is already in the public domain; and
 - (i) to directors, officers or employees of Contractor or its Affiliated Party.

28 INSURANCE AND INDEMNITY

28.1 Contractor's insurance obligations

Contractor shall obtain and maintain throughout the period of this Agreement insurance of such kinds covering such risks and for such amounts as shall be in accordance with Good Petroleum Industry Practices, and such additional insurance on such terms as CNPA and Contractor may mutually agree. The parties shall review the insurance program annually and make such adjustments thereto as the parties may agree. Upon reasonable notice Contractor shall provide evidence of such insurance to CNPA on demand. Contractor will select the insurance companies to provide such insurance.

28.2 Indemnity

- (a) Contractor shall indemnify and hold harmless the Government and CNPA against all third party claims for losses and damages caused by or resulting from Petroleum Operations conducted by or behalf of Contractor, provided that Contractor shall not be liable to the Government hereunder for any loss, claim, damage, injury or liability caused by any act or omission of the Government, CNPA, or the Government's or CNPA's servants, representatives, agents or contractors in breach of this Agreement.
- (b) Subject to any other provision of this Agreement, except where Contractor has been negligent or has acted in breach of this Agreement or any law or regulation of Cambodia in the conduct of Petroleum Operations, Contractor will not be liable to CNPA or the Government for any special, punitive or other indirect loss or damage, including but not limited to loss of profits or loss of production, resulting from Petroleum Operations.



29 ADMINISTRATION FEE

Contractor shall be obligated to CNPA for an annual Administration Fee of \$272,000. This fee shall be an eligible Petroleum Cost. Contractor shall pay the Administration Fee to CNPA as follows:

- (a) the first \$72,000 will be paid in equal quarterly installments directly to CNPA. The first installment shall be due and payable by Contractor on {.....- to be discussed in next meeting} and subsequent payments shall be made by not later than the last day of each subsequent quarter, with the final payment being made on the earlier of the date of first commercial production or termination of this Agreement, whether or not that date is less than 3 months from the end of the preceding quarter; and
- (b) the balance of the Administration Fee \$200,000 or part thereof shall be allocated in accordance with this paragraph to meeting the cost of external consultants engaged by CNPA. Such consultants shall be engaged by CNPA to provide assistance to CNPA in relation to its endeavours to develop the petroleum industry in Cambodia and such other related activities as directed by CNPA. Such consultants will be internationally recognized in the field of expertise for which they are engaged by CNPA. Prior to engaging such consultants, CNPA shall consult with Contractor and Contractor shall within 14 days approve engagement of consultants, unless the arrangements are not in full compliance with the laws of the Kingdom of Cambodia and *Singapore*. CNPA shall also keep Contractor informed of the names of the external consultants and the nature and extent of the work to be undertaken by the external consultants. Contractor must make payment under this paragraph for all work undertaken by the external consultants up to and including the earlier of the first commercial production day or the date of termination of this Agreement, even if the invoice in respect of that work is received by Contractor after the first commercial production day or the date of termination of this Agreement.
- (c) In meeting its obligations under paragraph (b), Contractor shall, within 30 days of receipt of an invoice issued by an approved consultant, pay to CNPA the total amount of the invoice, to enable CNPA to meet the cost of that invoice.
- (d) If the total amount paid by Contractor to CNPA in a Contract Year to satisfy invoices rendered by the external consultants is less than the Administration Fee owed by it for that period, Contractor shall pay the outstanding amount into a Dollar interest-bearing account (the *Surplus Account*) established by CNPA for this purpose, such payment to be made, within 30 days of the last day of the relevant Contract Year. The funds in the Surplus Account (including all interest thereon)



shall be applied to meet the total value of invoices rendered by the external consultants in- any Contract Year to the extent that such invoices exceed in excess of the Administration Fees owed by Contractor for that Contract Year. Any funds remaining in the Surplus Account on the earlier of the first commercial production day or termination of this Agreement shall belong to CNPA. This Article 29(d) shall survive termination of this Agreement.

- (e) Unless Contractor is notified to the contrary, for the purpose of this Article 29 the Director General of CNPA shall represent CNPA and be responsible for CNPA's arrangements with respect to the Administration Fee, and Contractor shall be entitled to rely upon directions from the Director General of CNPA with respect to these arrangements.

30 PERSONNEL AND TRAINING

30.1 Obligations to employ and train Cambodian nationals

Contractor shall employ, to the maximum extent possible, appropriately qualified Cambodian nationals in Petroleum Operations, and Contractor shall undertake education and training programs for Cambodian employees of Contractor to ensure the maximum participation of Cambodian personnel in Petroleum Operations at all levels. Each Work Program shall contain provisions on the methods Contractor intends to use to satisfy the requirements of this Article 30.

30.2 Training of Cambodian nationals

- (a) During each Contract Year, Contractor shall spend a minimum of \$150,000 on education and training of Cambodian nationals (who are not employees of Contractor) in fields related to petroleum resources development in accordance with a program mutually agreed by Contractor and CNPA. These funds are to be utilised for purposes such as staff training, scholarships, conferences, purchases of equipment, on-the-job training, or other similar matters that would provide or assist with education and training in fields related to petroleum resources development. Any portion of the training commitment that is unexpended at the end of the Contract Year shall be carried forward. Any amount of minimum training commitment outstanding on the date of termination of this Agreement or relinquishment by Contractor of all of the Contract Area, whichever occurs first, shall be immediately due and payable in full to CNPA. This Article 30.2(a) shall survive termination of this Agreement.



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- (b) In the event that Contractor and CNPA are unable to mutually agree an education and training program under Article 30.2(a) during any Contract Year after making reasonable endeavours to do so, CNPA may from time to time submit proposed programs to Contractor setting out proposed items of education and training for that Contract Year and the anticipated cost of each such item and Contractor shall approve each such program within 30 days of receiving the proposal provided that each proposed item of education and training, and the purpose for which the funds are requested, is in accordance with Article 30.2(a) and the program would not require Contractor to exceed its minimum training commitment for the Contract Year in which the funds would be required by this Article 30.2(b) to be paid. Contractor shall provide CNPA with the funds requested in an approved program within 30 days of approving the program.
- (c) Contractor agrees to provide on-the-job training for personnel of CNPA who will be seconded to Contractor, subject to suitable Contractor projects being available, in order to gain experience in the field of oil industry practice relevant to Petroleum Operations in Cambodia. Contractor will endeavour to second 4 CNPA personnel to Contractor each Contract Year on such terms as are mutually agreed, it being understood that such personnel shall be seconded for mutually agreed specified projects, and that the qualifications and performance of such personnel shall meet Contractor's standards for Cambodian employees. The remuneration of seconded personnel shall be mutually agreed and shall be deemed Petroleum Costs. In the event that Contractor does not second 4 CNPA personnel to Contractor in a Calendar Year, CNPA may elect in its absolute discretion to:
- (i) carry forward the non-secondment and require Contractor to second an additional CNPA employee to Contractor during a following Calendar Year; or
 - (ii) require Contractor's minimum training obligation under Article 30.2(a) for the following Contract Year increased by \$15,000 for each non-secondment.

CNPA shall notify Contractor in writing within 60 days of the end of each Contract Year if CNPA has elected to have the non-secondment(s) carried forward or the minimum training obligation increased. For the avoidance of doubt, Contractor's obligations under this Article 30.2(c) are separate from and in addition to Contractor's obligations under Articles 30.2(a) and (b), and without limitation to the foregoing any remuneration of seconded personnel shall not count toward satisfaction of Contractor's minimum training obligation under Article 30.2(a).



30.3 Right to employ aliens

- (a) Contractor and its Subcontractors may employ qualified foreign nationals to the extent that qualified Cambodian nationals cannot be found to fill the positions required. On the recommendation of CNPA, the Government shall issue permits required for the employment of foreign nationals and visas required for said foreign nationals and their family members to stay in the Kingdom of Cambodia.
- (b) If any foreign national or family member engages in any activity which is against the interests of the country, CNPA may by written notice to Contractor require Contractor to cause such person to leave the country.

30.4 Reports on employment

Contractor shall within 15 days after the end of each Calendar Quarter submit a report to CNPA on the nationality, employer, job position, remuneration and other benefits and all personnel employed by Contractor and each of its Subcontractors working in Cambodia under this Agreement for a period of more than 3 months.

31 PURCHASE OF GOODS AND SERVICES

31.1 Purchase of goods and services

- (a) Contractor shall purchase Cambodian goods and services where such goods and services are competitive in quality, quantity, price and availability with imported goods and services. For the avoidance of doubt, in relation to price the term competitive shall mean a price for Cambodian goods and services of not more than 10% above the price of otherwise equivalent imported goods and services.
- (b) If Cambodian goods and services are not competitive with imported goods and services, Contractor, with notification to CNPA, shall be entitled to import all goods and services which may be needed for conducting Petroleum Operations.
- (c) Without limiting Contractor's entitlement under paragraph (b) above, Contractor and CNPA shall mutually agree upon a program to develop and maximise opportunities for Cambodian companies and persons to supply goods and services in connection with Petroleum Operations.

31.2 Subcontractors

- (a) When hiring a Subcontractor, Contractor shall ensure that the Subcontractor has the necessary professional expertise and experience to perform the work to be assigned to it. Contractor shall consult with CNPA and give CNPA all relevant information



regarding any proposed Subcontractor and shall provide CNPA an opportunity to comment on the selection of the proposed Subcontractor a reasonable period in advance of engagement of such Contractor.

- (b) In the case of each contract with a value in excess of *\$100,000*, Contractor shall notify CNPA of the name and address of each Subcontractor and the identity of its authorised representative, and deliver a copy of the contract to CNPA within 30 days after such Subcontractor has been hired by Contractor. Contractor shall include reports on the work of all Subcontractors in its quarterly and annual reports.

32 FORCE MAJEURE

32.1 Force Majeure defined

For the purposes of this Agreement an event of “Force Majeure” means a circumstance or circumstances outside the control of party, without fault or negligence on the part of such party, which causes a delay in performance or the non-performance of its obligations hereunder including, but not limited to, unforeseen circumstances or acts of the public enemy, danger of navigation, fire, hostilities, war (whether or not declared), civil war, blockade, civil unrest, strikes, notes, insurrection, acts of terrorism, quarantine restrictions, epidemics, storms, earthquakes, accidents, and circumstances preventing Contractor from carrying out Petroleum Operations or from entering upon any part of the Contract Area, circumstances relating to the protection of personnel (Contractor’s or Subcontractor’s) or property, provided always that lack of finance shall not constitute a case of Force Majeure.

32.2 Effect of Force Majeure

- (a) The obligation of each of the parties shall be suspended during the period and to the extent that a party is prevented from carrying out its obligations by an event of Force Majeure. In the event of Force Majeure, the affected party shall notify the other party of the reason, date of commencement and extent of the suspension of obligations. The party whose obligations have been suspended as stated above shall resume the execution of those obligations in the shortest reasonable period after the removal of the cause of Force Majeure, and it shall notify the other party of such resumption.
- (b) The term of any permit or period under this Agreement, and of this Agreement itself, shall be extended by the period of the delay caused by the occurrence of Force Majeure.

32.3 Reasonable measures to minimise



Both parties shall take all reasonable measures to minimise the consequences of any event of Force Majeure.

33 UNITISATION

33.1 Compulsory unitization

- (a) CNPA may order that the development and production of a field be carried out jointly with a party to another petroleum agreement if:
 - (i) a field within the Contract Area extends into another area which is subject to another petroleum agreement; or
 - (ii) a field within the Contract Area is not commercial unless its development and production is combined with another field which extends into or is within another area which is subject to another petroleum agreement.
- (b) If CNPA makes such an order, then Contractor shall collaborate with the other person subject to another petroleum agreement in preparing a joint operating program for the development of the Field involved, which program shall be submitted promptly for approval to CNPA.
- (c) Within 180 days after CNPA notice to Contractor that a joint operating program has been approved or adopted, Contractor shall proceed with such joint operating program.
- (d) Contractor shall at all times be entitled to relinquish the area, including the Field, and the minimum area restriction in Article 6 shall not apply to such relinquishment.

33.2 Voluntary unitisation

In the absence of an order by CNPA requiring joint development and production, Contractor may enter into an agreement with other contractors to jointly develop and produce an adjacent Field or Fields.

34 JOINT REVIEW COMMITTEE

34.1 Establishment of Joint Review Committee

Within 60 days after the Effective Date a Joint Review Committee composed of 6 members, 3 of whom shall be appointed by Contract Operator and 3 by CNPA, shall be established. The Chairman of the Joint Review Committee shall be appointed by the Chairman of CNPA.

Additional representatives of each party may attend meetings of the Joint Review Committee as observers or alternate members.

34.2 Meetings of Joint Review Committee

Commencing within *one* month after its establishment, ordinary meetings of the Joint Review Committee shall be held regularly every 6 months on dates and in places to be mutually agreed, or failing such agreement on a date specified by the Committee. The Joint Review Committee shall review the following:

- (a) All Work Programs (including budgets), Quarterly Reports, Annual Reports and other reports and proposals required to be submitted to the Government or CNPA;
- (b) Progress of Contractor's work;
- (c) Contractor's statements of Petroleum Costs;
- (d) Terms of contracts executed between Contractor and Subcontractors and the performance of Subcontractor's work under those contracts;
- (e) Any problems arising in Petroleum Operations;
- (f) Employment of Cambodian nationals and use of Cambodian goods and services in connection with Petroleum Operations, and development and implementation of the program under Article 31.1(c); and
- (g) Such additional subjects as may be requested by either party.

Special meetings of the Joint Review Committee may be called, on reasonable notice by either party, for the purpose of reviewing any major development or problems in Petroleum Operations, and proposing appropriate actions to be taken.

34.3 Quorum voting

- (a) A quorum for the transaction of business before the Joint Review Committee shall consist of at least 4 members. Decisions of the Joint Review Committee shall be made by unanimous votes of members attending the meeting. Any disagreement between the parties will be first referred to the Chairman before invoking the Dispute Resolution Procedures.
- (b) Recommendation or opinions of the Joint Review Committee shall be delivered to the Chairman of CNPA for information and appropriate action.

34.4 Confidentiality obligations of members



Members of the Joint Review Committee shall be required to treat all information acquired by them through the Joint Review Committee as Confidential Information for the purposes of this Agreement.

35 RELATIONSHIP BETWEEN CONTRACTOR PARTIES

35.1 Joint and several liability

If at any time there is more than one Contractor Party, each Contractor Party shall be jointly and severally bound by the provisions of this Agreement, including for the avoidance of doubt jointly and severally bound to satisfy and fulfill all obligations, duties and responsibilities imposed on Contractor by this Agreement.

35.2 CNPA to receive summary of agreement between Contractor Parties

An executive summary of any agreement which governs the relationship between the Contractor Parties, or an executive summary of any agreement under which any person is designated the Contract Operator, shall be delivered to CNPA within 60 days of the Effective Date and within 10 days following any revisions to such agreements. If at any time there is only one Contractor Party, that Contractor Party shall be deemed to be the Contract Operator. Contract Operator shall be responsible for representing Contractor in discussions with CNPA and shall be responsible for carrying out all Petroleum Operations in accordance with this Agreement.

36 TRANSFER OF RIGHTS AND OBLIGATIONS

36.1 Transfers from a Contractor Party to an Affiliate

A Contractor Party is entitled to transfer the whole or any part of its interest under this Agreement to an Affiliate of that Contractor Party. The Contractor Party shall, at least 30 days prior to the proposed transfer give CNPA written notice of the proposed transfer attaching a copy of the proposed instrument of transfer and any other relevant documentation that CNPA reasonably requires.

36.2 Transfers from a Contractor Party to a Non-Affiliate

If a Contractor Party wishes to transfer the whole or any part of its interest under this Agreement to another Contractor Party or to a Non-Affiliate it shall submit a request to CNPA for its approval, together with a copy of the proposed instrument of transfer, evidence of the qualifications, financial standing and appropriateness of the proposed transferee and any other relevant documentation that CNPA reasonably requires. CNPA shall within 60



days from the date of receipt of such application review the qualification, financial standing and appropriateness of the proposed transferee, and give its approval or state the basis for its disapproval. However, such approval shall not be unreasonably withheld and if CNPA fails to approve or disapprove within the specified period the transfer shall be deemed to be approved.

36.3 Impact of Transfers

- (a) A transferee will be entitled to cost recover the transferor's unrecovered Petroleum Costs. Transfers will not affect the total amount of Petroleum Costs.
- (b) A transferee's annual income tax will be assessed on the basis of the transferor's fees paid during that year under Article 18.2 and realised foreign exchange gains and losses. Transfers will not be subject to income tax, withholding taxes, value added taxes, and other taxes and tariffs and charges due to the Government or local authorities other than those imposed under this Agreement.
- (c) For the avoidance of doubt, notwithstanding assignment of all or part of an interest under this Agreement, a Contractor Party shall remain fully responsible to CNPA for all liabilities and obligations existing or arising in connection with this Agreement prior to the date of assignment, including as a result of any action or omission of Contractor or a Contractor Party prior to the date of assignment (whether or not that liability or obligation is known or quantifiable at the date of the assignment).
- (d) Subject to paragraph (c), where a Contractor Party assigns all or part of an interest in accordance with this Agreement, the Contractor Party shall cease to be a Contractor Party in respect of that interest from the date of the assignment and shall be released from performance of obligations arising in connection with that interest after the date of assignment.

36.4 Deed of covenant

Without limiting any other restrictions on transfer under this Agreement, no transfer will be binding on CNPA unless and until notice of the transfer has been given to CNPA by the transferor, and the transferee, if it is not a Contractor Party prior to the transfer, has entered into a written contract with CNPA acknowledging that it has become a party to this Agreement and will comply with this Agreement as a Contractor Party.



37 SUSPENSION AND TERMINATION

37.1 Right to order suspension

In the event of:

- (a) a material breach of this Agreement by Contractor which is not corrected within 30 days after notice is given to Contractor by CNPA to do so; or
- (b) a situation which poses a serious and imminent threat to persons, property or environment,

CNPA may order Contractor to temporarily suspend all or part of its Petroleum Operations or to take such other measures as may be reasonably necessary until such breach has been cured or the threatening situation abated.

37.2 Termination for default

- (a) CNPA may give to Contractor notice of its intention to terminate this Agreement if:
 - (i) Contractor has failed to substantially comply with any material provision of this Agreement; and
 - (ii) Contractor has failed to take reasonable steps to rectify its default within 30 days after being ordered in writing by CNPA to do so (or within such longer period as CNPA may prescribe), or such default is not capable of being rectified.
- (b) If CNPA gives a notice to Contractor under paragraph (a) and if within 30 days after the giving of such notice Contractor:
 - (i) again fails to take reasonable steps to rectify its default or such default is not capable of being rectified, and
 - (ii) fails to demonstrate to CNPA's reasonable satisfaction why this Agreement should not be terminated, then CNPA may terminate this Agreement by notice to Contractor.

37.3 Termination does not relieve Contractor

Termination of this Agreement shall not relieve Contractor from the performance of any obligation outstanding prior to termination, or from the consequences of non-compliance with such obligation.

37.4 Consequences of termination

In the event of termination of this Agreement after issue of a Production Permit, CNPA may delay the effective date of termination and require Contractor to continue Petroleum



Operations on behalf of and at the cost of CNPA for a reasonable time until CNPA assigns the right to conduct Petroleum Operations to another person or has assumed control of Petroleum Operations.

37.5 Failure to perform

Notwithstanding any other provision of this Agreement, and without in any way limiting or affecting any other right held by CNPA to terminate this Agreement:

- (a) if Contractor fails to perform any obligation under this Agreement to the satisfaction of CNPA (in its absolute discretion) then CNPA may, at any time after 6 months from the date of execution of this Agreement, terminate this Agreement by notice in writing to Contractor; or
- (b) if Contractor fails at any time to fully and absolutely perform its obligations under any of Articles 3.2(b), 6.7(a), 18.1, 18.2 or 29 by the date for performance required by each such Article, then CNPA may terminate this Agreement by notice in writing to Contractor within 60 days of any such failure to perform.

Any such termination shall take effect immediately on issue of the notice to Contractor and thereafter Contractor shall have no rights in respect of the Contract Area and shall have no rights or interest under or in respect of this Agreement including in respect of termination of this Agreement.

38 SETTLEMENT OF DISPUTES

38.1 Consultation

CNPA and Contractor agree to make every effort to settle amicably any problem arising under this Agreement.

38.2 Manner in which disputes to be resolved

- (a) In this Article, “dispute” means any disagreement, dispute, controversy or claim between CNPA and Contractor arising out of or relating to this Agreement or the interpretation, breach or termination thereof, which cannot be settled amicably.
- (b) Any dispute which relates to:
 - (i) Good Petroleum Industry Practices, including any dispute as to whether Contractor’s Work Programs or Petroleum Operations comply with Good Petroleum Industry Practices; or
 - (ii) the valuation of Petroleum,

will be referred to an independent expert (“Expert”) for resolution.

- (c) All other disputes between CNPA and Contractor other than any disagreement, dispute, controversy or claim arising out of or relating to termination of this Agreement under Clause 37.5 will be referred to arbitration for resolution unless otherwise agreed between the Parties.

38.3 Referral to an Expert

Other than as contemplated under Article 12.2, 12.3 or 12.4, where a dispute is to be referred to an Expert for resolution, the following provisions will apply:

- (a) The Expert will be jointly agreed by CNPA and Contractor.
- (b) The Expert will be a person agreed between the Parties. If the Parties cannot agree upon the person to be appointed as the Expert, the Parties will request that the International Centre for Expertise in Paris, France nominate the Expert. No person shall be appointed to act as an Expert unless that person is qualified by education, experience and training to determine the matter in dispute. A person may not be appointed as Expert if that person has any conflict of interest.
- (c) An Expert shall fix a reasonable time and place for receiving submissions or information from the Parties. Each Party will have the opportunity to make written submissions to the Expert.-
- (d) The Expert will be required to determine the matter with all due diligence.
- (e) The Expert shall not be an arbitrator and shall not be subject to laws or rules of arbitration.
- (f) The Expert’s determination shall be final and binding upon the Parties.

38.4 Referral to arbitration

Where a dispute is to be referred to arbitration for resolution, the following provisions will apply:

- (a) The Parties shall establish an ad hoc panel of 3 arbitrators. CNPA and Contractors shall each appoint one arbitrator and so advise the other party, and these two arbitrators will appoint a third. If either party fails to appoint an arbitrator within 30 days after receipt of request of the other party, and if the parties do not otherwise agree, the arbitrator not appointed by that party shall be appointed by the President of the International Court of Justice in the Hague. If the first two arbitrators appointed as aforesaid fail to agree on a third within 30 days following the appointment of the second arbitrator, the third arbitrator shall be agreed by the



parties and, if the parties are unable to agree, be appointed, at the request of either party, by the International Court of Justice in The Hague.

- (b) The place of arbitration shall be Singapore, unless otherwise mutually agreed.
- (c) The language to be used in the arbitration proceedings shall be English.
- (d) The award of the arbitral panel shall be final and binding on both parties.
- (e) Except as provided in this Article, arbitration shall be conducted in accordance with the arbitration rules of the United Nations Commission on International Trade Law (IUNCITRAL), in force at the date of appointment of the third arbitrator.
- (f) Contractor shall continue its work under this Agreement during the arbitration proceeding and no allocation of Petroleum or payment due to or from either party shall be withheld pending the award of the arbitral panel.

39 MISCELLANEOUS

39.1 Applicable law

This Agreement shall be interpreted according to the law of the Kingdom of Cambodia with consideration of customary principles and practices of the international petroleum industry.

39.2 Notices

All notices required to be given by either party to the other under this Agreement shall be in writing in the English language, and may be made by prepaid and registered airmail, or by facsimile or by hand to the respective address of each party indicated below, or to such other address as either party may subsequently notify the other. All notices shall be deemed to be duly made when received.

CAMBODIAN GOVERNMENT:

Cambodian National Petroleum Authority

Room D4, Office of the Council of Ministers, Russian Federation Blvd.

Kingdom of Cambodia

Attention: Director General

Fax: +855 212278; Tel: 855 16880071, E-Mail: durong.tara2005@online.com.kh

CONTRACTOR:



(Local company name..... Ltd

Address: to be advise

Attention: Mr.

Position: Senior Vice President / Director

Tel: 65-65464122

Fax: 65-65464022

Email:com

39.3 Office

Within 90 days after the Effective Date, Contract Operator shall establish an office in Phnom Penh and maintain such an office for the duration of this Agreement.

39.4 Interpretation

The captions and headings in this Agreement are solely for reference purposes and shall not affect the interpretation hereof. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely.
- (b) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (d) A reference to an Article or an Annexure is a reference to an article of, or annexure to, this Agreement.
- (e) A reference to a party to this Agreement or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (f) A reference to an agreement or document is to the agreement or document as amended, novated, supplemented or replaced, except to the extent prohibited by this Agreement.
- (g) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for or added to it and a regulation or statutory instrument issued under it.

- (h) A reference to *writing* includes a facsimile transmission and any means of reproducing words in a tangible and permanently visible form.
- (i) A reference to conduct includes, without limitation, an omission, statement or undertaking, whether or not in writing.
- (j) A limited partnership will be regarded as a corporation.

39.5 Inflation indices

If:

- (a) Inflation cannot be determined for a time period; or
- (b) any change occurs to the method of calculation of any of the indices used to calculate Inflation for the purpose of this Agreement, the parties shall endeavour to agree an appropriate substitute. If the parties are unable to agree within 30 days, the matter shall be referred to independent expert determination.

39.6 Waiver of Sovereign Immunity

In respect of the Contractor, CNPA irrevocably and unconditionally:

- (a) agrees that in any arbitration or legal action in respect of this Agreement it will not raise, rely on or claim any immunity (including, without limitation, from suit, judgment, attachment before judgment or otherwise, execution or other enforcement);
- (b) waives any right of immunity that it or its assets may have at any time; and
- (c) consents generally to the giving of any relief or the issue of any process in connection with any arbitration or legal action in respect of this Agreement including, without limitation, the making, enforcement or execution of any order or judgment against any property (irrespective of its use or intended use).

39.7 Completeness of the agreement

This Agreement constitutes the entire understanding between the parties and shall not be amended or changed without the prior written consent of each Party.

39.8 Language of the agreement

This Agreement has been made and executed in the Khmer and English languages Each original shall have equal force and validity, except that in the case of inconsistency or discrepancies between them, the English language original shall prevail.



40 CONDITION PRECEDENT

40.1 Condition Precedent

Contractor shall pay CNPA \$300,000 within 30 days after the Signature Date as a gesture of good faith in connection with entry into this Agreement (*Goodwill Payment*). Contractor must transfer within 30 days after the Signature Date the full amount of the Goodwill Payment, net of all bank charges levied on the transfer or receipt of the funds, in immediately available funds into the bank account nominated in writing by CNPA to Contractor (*Condition Precedent*).

40.2 Effect of Condition Precedent

Subject to Article 40.3, this Agreement shall have no force and effect and neither party shall have any rights or obligations under this Agreement unless and until the Condition Precedent is satisfied.

40.3 Articles Binding from Effective Date

Articles 1 (Definitions), 2.2 (CNPA to Administer Agreement), 18.3 (Charges for Services Rendered by CNPA), 27 (Confidentiality), 35.1 (Joint and Several Liability), 37 (Suspension and Termination), 38 (Dispute Resolution), 39.1 (Applicable Law), 39.2 (Notices), 39.4 (Interpretation), 39.6 (Waiver of Sovereign Immunity) 39.7 (Completeness of Agreement), 39.8 (Language of Agreement) and this Article 40 (Condition Precedent) shall be effective on and from the Signature Date whether or not the Condition Precedent has been satisfied.

40.4 Failure to Perform Condition Precedent

In the event that the Condition Precedent is not satisfied within 30 days after the Signature Date, this Agreement shall automatically and immediately terminate and thereafter:

- (a) Each Party shall be freed and discharged from all further obligations and liabilities under this Agreement;
- (b) Contractor shall have no rights, title or interest in respect of the Contract Area; and
- (c) CNPA shall have no obligations or liabilities in respect of the termination of this Agreement,

in each case without prejudice to any rights, remedies, powers, obligations and liabilities that have accrued under this Agreement prior to the termination of this Agreement.

40.5 Notice of Satisfaction of Condition Precedent

Contractor must promptly notify the CNPA in writing if Contractor considers that the Condition Precedent has been satisfied. If CNPA is satisfied that the Condition Precedent



has been satisfied, CNPA shall promptly notify Contractor in writing of the date on which the Condition Precedent is satisfied or CNPA reasonably estimates that the Condition Precedent is satisfied.



IN WITNESS WHEREOF the parties hereto have executed this Agreement in the English language in Phnom Penh, Cambodia on the date first written above in original copies.

**FOR AND ON BEHALF OF
THE ROYAL GOVERNMENT
OF
THE KINGDOM OF CAMBODIA**

.....

Chairman of the Cambodian National Petroleum Authority

SIGNED by the Contractor Party

Executed *for and on behalf of*

..... *Ltd*

Signature

Witness Signature

Print Name

Print Name



ANNEXURE I

COORDINATES OF THE CONTRACT AREA

ANNEXURE II

MAP OF THE CONTRACT AREA (.....)

[To be inserted]



ANNEXURE III

NPV Project Cash Flows Test means in respect of a Calculation Date, the results of the following calculation: the sum of Real Revenue minus Real Costs for each previous time period and each future time period over the projected life of the project divided for each time period by $[1.16]^n$.

Where:

n is the number of Calendar Years (which may include a fraction) from the Effective Date to the relevant previous time period or future time period.

Calculation Date means:

- (a) 1 January of every year after the Effective Date; and
- (b) the date of expiry of this Agreement.

Real Revenue means, in respect of a Calculation Date, Actual Revenue for previous time periods as adjusted by reference to actual Inflation and Forecast Revenue for future time periods as adjusted by reference to forecast Inflation.

Real Costs means, in respect of a Calculation Date, Actual Costs for previous time periods adjusted for actual Inflation and Forecast Costs for each future time period adjusted for forecast Inflation.

Actual Revenue means, in respect of a Calculation Date, the amounts received by Contractor in connection with this Agreement from the sale or disposal of Contractor's Entitlement in that time period minus Income Tax paid under this Agreement in respect of that time period.

Forecast Revenue means, in respect of a Calculation Date, the amounts forecast to be received by Contractor in connection with this Agreement from sale or disposal of Contractor's Entitlement in a future time period minus income tax forecast to be payable under this Agreement in respect of that time period.

Actual Costs means, in respect of a Calculation Date, the amounts spent by Contractor in connection with this Agreement during a previous time period and approved by CNPA as Petroleum Costs for that time period (and shall include fees paid under Article 18.1 and 18.2).



Forecast Costs	means, in respect of a Calculation Date, the costs forecast to be incurred by Contractor in connection with this Agreement as Petroleum Costs in a future time period (and shall include fees forecast to be paid under Article 18.1 and 18.2).
Inflation	means in respect of a time period, the annual rate of change in the United States Producer Price Index for Finished Goods, as published by the United States Department of Labor.
time period	means a period of one Calendar Year (or fraction of a year) between the Effective Date and the first Calculation Date and thereafter each Calendar Year to 1 January over the projected life of the project.
previous time period	means, in respect of a Calculation Date, a time period prior to that Calculation Date and after the Effective Date.
future time period	means, in respect of a Calculation Date, a time period following that Calculation Date.