

CONCESSION CONTRACT

BETWEEN



**THE NIGERIAN UPSTREAM PETROLEUM
REGULATORY COMMISSION**

AND

**THE PERSONS NAMED AS “HOLDERS” IN
THIS CONTRACT**

IN RESPECT OF THE ISSUANCE OF

Petroleum Prospecting Licence NO.215

by

The Federal Government of Nigeria,
dated this 27th of June 2022

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This Concession Contract (the "**Contract**") is made this 27th day of June, 2022

BETWEEN

NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION, whose address is at No. 7 Sylvester Ugoh Crescent, Jabi, Abuja, Nigeria (hereinafter referred to as the "**Commission**"), of the one part;

AND

MAX UPSTREAM LIMITED, company incorporated under the laws of the Federal Republic of Nigeria with RC No. 1415068, whose principal place of business is at Plot 6B, Olajide Olabanji Street, Off Adewunmi Adebimpe Drive, Lekki Phase 1, Lagos.

WATLNE SYSTEMS LIMITED, a company incorporated under the laws of the Federal Republic of Nigeria with RC No. 1509807, whose registered address is at Plot 97, Olomu Avenue, Royal Gardens Estate, Ajah, Lagos.

(all hereinafter referred to as the " **Holders**" and each a "**Holder**"), of the other part.

Both the Commission and the Holder are also referred to in this Contract, each as a "**Party**" and together as the "**Parties**".

WHEREAS:

- A. The property and ownership of Petroleum within Nigeria, its territorial waters, continental shelf and exclusive economic zone is vested in the Government of the Federation of Nigeria.
- B. Pursuant to the Petroleum Industry Act 2021 (the "**Act**"), the Minister of Petroleum Resources (the "**Minister**") is vested with the power to grant Petroleum Prospecting Licences on behalf of the Government; the Commission is responsible for the technical and commercial regulation of the upstream petroleum industry in Nigeria, including the determination and recommendation of applicants who have fulfilled the conditions for the grant of upstream petroleum licences and leases as well as the applicable model contract for the said licences and leases.
- C. The Holders have emerged the winning bidders following the conclusion of the Marginal Field Bid Round 2020 conducted by the Commission for the right to conduct Upstream Petroleum Operations in respect of the Licence Area. The Holders have further to the Commission's directive, jointly incorporated Korolei Energy Ltd (**Company**) as a special purpose company to operate the Licence Area on their behalf.
- D. Section 94(2) of the Act mandates the Commission to convert marginal field awards to substantive petroleum prospecting licences. In compliance with this

- D. Section 94(2) of the Act mandates the Commission to convert marginal field awards to substantive petroleum prospecting licences. In compliance with this mandate the Government intends to grant a substantive Petroleum Prospecting Licence to the Holders in respect of Korolei Marginal Field.
- E. Pursuant to Section 85 of the Act, as a precursor to the grant of the Licence, the Commission and the Holders have agreed to enter into this Contract to provide for the fiscal obligations relating to the Licence as well as other contractual terms and conditions relevant to the conduct of Upstream Petroleum Operations within the Licence Area.

NOW THEREFORE, the Parties hereto agree as follows:

1.0 DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

In this Contract, the following words shall have the meanings ascribed to them below, and other Capitalised words used in this Contract and not defined below shall carry the meanings and definitions given to them in the General Licence Conditions attached as Schedule to the Licence, the Act and other Regulations made thereto, at the time of the execution of this Contract:

“Acceptable Financial Institution” means a commercial bank duly licensed by the Central Bank of Nigeria with a minimum credit rating of ‘BBB’ issued by, at least, two rating agencies, one of which must be a rating agency incorporated in Nigeria and registered with the Securities and Exchange Commission. Provided that where the credit rating of any bank which issues the WP Performance Security declines below the prescribed rating as provided herein, the Licensee shall within [one (1) month], provide a performance security from a bank with the prescribed rating.

“Act” means the Petroleum Industry Act, 2021.

“Bopd” means barrel of crude oil per day.

“Commencement Date” has the meaning ascribed to it in Clause 2.1.

“Company” shall have the meaning ascribed to it in Recital C.

“Development Period” means the period stipulated in the Field Development Plan or as indicated in the Lease, for the Holders to initiate Regular Commercial Production.

“Environmental Remediation Fund” means the environmental remediation fund established by the Commission for the Holders in accordance with Section 103 of the Act.

“Foreign Person” means a Person other than a Nigerian Company.

“Gas” means natural gas and natural gas liquids.

“General Lease Conditions” means the general lease conditions attached as Schedule A of the Deed of Lease.

“General Licence Conditions” means the general licence conditions attached as Schedule A to the Licence Instrument.

“Lease” means the Petroleum Mining Lease issued to the Holders in respect of the Lease Area.

“Lease Area” means the area in respect of which the Lease is granted as more particularly described in the document attached as Schedule B of the Lease Instrument.

“Lease Instrument” means the instrument conveying the grant of the Lease to the Holders, by the Minister on behalf of the Government.

“Licence” means the Petroleum Prospecting Licence issued to the Holders in respect of the License Area.

“Licence Area” means the area in respect of which the Licence is granted as more particularly described in the document attached as Schedule B of the Licence Instrument.

“Licence Instrument” means the instrument conveying the grant of the Licence to the Holders.

“Longstop Date” means the date falling three months after the date this Contract is executed, being the deadline for the prospective Holders to fulfil the Conditions or other pre-conditions to the grant of the Licence by the Minister.

“Minimum Financial Commitment” has the meaning ascribed to it in Clause 5.1

“Minimum Work Programme” means the work programme containing details of the programme of activities the Holders have committed to undertake within the Licence Area, submitted by the Holders to the Commission prior to the execution of this Contract, either as part of a winning bid or otherwise, which the Commission has approved and is attached to the Licence Instrument as Annexure 2.

“Nigerian Company” means a company formed and registered in Nigeria in accordance with the Companies and Allied Matters Act with not less than fifty-one per cent (51%) of its shares legally and beneficially owned by Nigerians.

“Oil Production” means the production of Crude Oil and Condensates.

“Operating Agreement” means the operating agreement executed by the Holders and the Operator, to govern the Operator’s role in executing Upstream Petroleum Operations on behalf of the Holders, within the Licence Area.

“Operator” means the special purpose company referred to in Recital C or any successor operator appointed by the Holders pursuant to Clause 13.8.

“Participating Interest” means as to each Holder, the percentage share of such Holder’s interest in the Licence or Lease, provided that in the case of Upstream Petroleum Operations conducted by less than all the Holders, Participating Interest shall mean, in relation to each Holder participating in the Upstream Petroleum Operations (**“Participating Holder”**), the proportion which the Participating Interest of the Participating Holder bears to the total Participating Interest of all Participating Holders.

“Paying Quantities” means in relation to the level of production of a field, the production of volumes of Oil Production or Gas or both, of which the value exceeds the Royalty and operating costs on a regular basis, based on levels of production that are aimed at achieving maximum economic recovery of Petroleum.

“Regular Commercial Production” means the production of Gas and/or Oil Production in Paying Quantities.

“SOFR” means the secured overnight financing rate published by the Federal Reserve Bank of New York on its website at <newyorkfed.org/markets/reference-rates/sofr> every business day (New York) at 8.00am Eastern Time.

1.2 Interpretation

- 1.2.1 Reference to any statute or statutory provision includes a reference to that statute or statutory provision as amended, extended or re-enacted from time to time.
- 1.2.2 A reference to a statute or statutory provision shall include all subordinate legislation made from time to time under the statute or statutory provision.
- 1.2.3 Timelines regarding obligations of the Holder which are not prescribed in this Model Contract, or the General Licence Conditions shall be as provided in Regulations issued by the Commission.
- 1.2.4 In the computation of periods of time from a specified day to a later specified day:
- (a) the first specified day is not included in the computation of the period, whereas the other specified day is included in the computation of the period; and
 - (b) any requirement that an action may or shall be taken within a specified number of days means that such action may or shall be taken within the number of days so specified starting at 00:00 hours on the day on which the requirement to take such action arose;
- 1.2.5 Headings of this Contract are for convenience of reference only and not intended to define, interpret, limit, or describe the scope or intent of any of the provisions of this Licence.
- 1.2.6 A Person includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).
- 1.2.7 A reference to a company shall include any company, corporation or other body corporate, wherever and however incorporated or established
- 1.2.8 Unless the context otherwise requires, words in the singular shall include the plural and, in the plural, shall include the singular.
- 1.2.9 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.2.10 The terms of this Contract shall be read in tandem with the Act, the Regulations and the Licence or Lease deriving therefrom, as applicable.

Where there is any ambiguity or contradiction among these documents, they shall be construed in the following order of priority to resolve the said ambiguity or contradiction:

- (a) the Act;
- (b) the Regulations;
- (c) the Licence Instrument and/or Lease Instrument;
- (d) this Contract; and
- (e) the General Licence Conditions and/or General Lease Concitions.

2.0 EFFECTIVE DATE AND TERM

2.1 This Contract shall become effective upon the satisfaction of the Conditions listed in Clause 4.0 (the "**Commencement Date**"), save for Clauses 1.0, 2.0 4.0, 14.0, 16.0, 17.0, 18.0 and 19.0, which shall become effective upon execution of the Contract and shall, except as provided in Clause 16.0, and continue in full force and effect for as long as the Holders continue to hold title to:

2.1.1 the Licence in respect of the Licence Area or any part thereof; and

2.1.2 any Lease in respect of a Lease Area subsequently derived from the Licence Area, in accordance with the terms of the Licence and the Act.

3.0 DESCRIPTION OF THE ACREAGE

3.1 The Licence Area is an onshore/swamp acreage whose boundaries may be modified from time to time as a result of relinquishments and surrenders pursuant to the terms of the Licence and the provision of the Act as well as the delineation of any Lease Area emerging from the said Licence Area.

4.0 CONDITIONS PRECEDENT

4.1 The following conditions (the "**Conditions**") shall be fulfilled no later than the Longstop Date:

4.1.1 The Holders must have:

- (a) furnished the Commission with the WP Performance Security issued by an Acceptable Financial Institution, to guarantee the Holders' Minimum Financial Commitment to implement the Minimum Work Programme;

- (b) paid the Rent for the first year of the Licence at the rate prescribed in Clause 6.0;
- (c) delivered to the Commission evidence of the Company's acceptance to act as Operator; and
- (d) fulfilled such other conditions as prescribed by the Regulations.

4.1.2 The Minister has executed the Licence Instrument.

4.2 Where any Holder fails to satisfy all the Conditions listed in Clause 4.1.1 by the Longstop Date, the Contract shall stand terminated in respect of that defaulting Holder on the next date following the Longstop Date.

5.0 WORK PROGRAMME COMMITMENTS

5.1 The Holders shall carry out all the activities in the phases specified in the Minimum Work Programme during the Licence Term, in the place of the Work Programme generally required to be performed by Licensees under the General Licence Conditions.

5.2 Each Holder shall expend its Participating Interest share of the following minimum value of financial resources to implement the Minimum Work Programme (**Minimum Financial Commitment**) during the Licence Term:

5.2.1 During the first three (3) years of the Licence Term (**Basic Period**), each Holder shall be obligated to expend its Participating Interest share of monetary sums equal to:

- (a) the sum specified in the Minimum Work Programme; or
- (b) such sum that the Commission subsequently anticipates will achieve the full implementation of the outstanding portion of the Minimum Work Programme in accordance with procedures set forth in the Licence and Regulations.

5.2.2 Where the Commission opts to grant the Holders the second three (3) years of the Licence Term (**Supplementary Period**) in accordance with the Act and Regulations, the Commission shall at the time of granting the Holders' application, determine and notify the Holders of the value of financial resources that the Holders shall expend to implement the outstanding portions of the Minimum Work Programme.

5.3 The Holders shall in accordance with the terms of the General Licence Conditions, provide the WP Performance Security issued by an Acceptable

Financial Institution in favour of the Commission, before the effective date of this Contract, to guarantee the Holders' fulfilment of their Minimum Financial Commitment.

- 5.4 The provisions in the General Licence Conditions relating to the appraisal of Discoveries, retention of Significant Crude Oil Discoveries or Significant Gas Discoveries and declaration of commercial discoveries within a Licence Area, shall not apply to this Licence. The Holders shall upon completion of the Minimum Work Programme either surrender the Licence where it is not interested in developing the Licence Area or submit a Field Development Plan to the Commission for approval.
- 5.5 In support of its application for the Field Development Plan, the Holders shall commit to expend the monetary sums indicated in the FDP Budget (the "**FDP Financial Commitment**") before the end of the Development Period. Each Holder shall be liable for its Participating Interest share of the FDP Financial Commitment.
- 5.6 The Holders shall provide the FDP Performance Security issued by an Acceptable Financial Institution in favour of the Commission, before the grant of the Lease, to guarantee fulfilment of the FDP Financial Commitment.

6.0 RENTS

- 6.1 The Holders shall pay a yearly Rent for the surface area of the Licence Area and any Lease Area deriving therefrom in the following amounts and times or as otherwise prescribed by Regulations from time to time:
- 6.1.1 during the Basic Period of the Licence Term: **\$5,000.00 (five thousand US Dollars)** plus **\$1.00 (one US Dollar)** per hectare;
- 6.1.2 during the Supplementary Period of the Licence Term: **\$10,000.00 (ten thousand US Dollars)** plus **\$2.00 (two US Dollars)** per hectare; and
- 6.1.3 during the Lease Term: **\$100,000.00 (one hundred thousand US Dollars)** plus **\$10.00 (ten US Dollars)** per hectare.
- 6.2 Each Holder shall be liable for its Participating Interest share of Rent payable by the Holders under this Contract, provided howsoever that the Operator shall be entitled to deduct amount due as Rent from the Joint Account and remit to the Commission on the Holders' behalf.

- 7.2 Production of Gas shall be subject to royalty based on chargeable volumes of Gas produced, at the rate of five percent (5%). Notwithstanding the foregoing, the applicable rate for Chargeable Volumes of Gas produced and utilised in-country shall be two and a half percent (2.5%). For the avoidance of doubt, Price based royalties shall not apply to Gas production.
- 7.3 The determination of production volumes and prices for royalty purposes shall be in accordance with Paragraph 7 and Paragraph 8 of Schedule 7 to the Act and applicable Regulations.
- 7.4 The price benchmarks in Clause 7.2 shall subject to escalation in the manner prescribed by Regulations.
- 7.5 Each Holder shall be liable for its Participating Interest share of Royalty payable by the Holders under this Contract.
- 7.6 Where the Commission elects to receive the above Royalties in kind, the Commission shall provide the Holders (or the Operator on behalf of the Holders) with prior notice and in accordance with the procedures stipulated in the Regulation and relevant guidelines.
- 7.7 Where the Holders fail to pay all or part of Royalties due for a period for two (2) months after the month in which the Royalty falls due, the outstanding Royalty payment shall constitute a debt owed by the Holders and attract:
- 7.7.1 a sum equal to ten percent (10%) of the amount of the Royalty payable which shall be added to the Royalty;
 - 7.7.2 interest at the prevailing SOFR or any other successor rate plus ten percent (10%) point basis, where the outstanding Royalty payment is due in foreign currencies;
 - 7.7.3 interest at the prevailing NIBOR plus ten percent (10%) points basis, where the outstanding Royalty payment is due in Naira;
 - 7.7.4 **ten million Naira (N10,000,000.00)** or its US Dollar equivalent on the first day the failure to pay the Royalty occurs; and

- 7.8.1 a sum equal to ten percent (10%) of the amount of the Royalty payable which shall be added to the Royalty;
- 7.8.2 interest at the prevailing SOFR or any other successor rate plus ten percent (10%) point basis, where the outstanding Royalty payment is due in foreign currencies;
- 7.8.3 interest at the prevailing NIBOR plus ten percent (10%) points basis, where the outstanding Royalty payment is due in Naira;
- 7.8.4 **ten million Naira (N10,000,000.00)** or its US Dollar equivalent on the first day the failure to pay the Royalty occurs; and
- 7.8.5 **two million (N2,000,000.00)** Naira or its US Dollar equivalent for each day in which the failure to pay continues.

8.0 PRODUCTION ALLOWANCES

- 8.1 Where the Holders achieve Commercial Production during the Lease Term, the Holders shall be entitled to the amounts of production allowance as detailed in the Sixth Schedule of the Act and as further prescribed by Regulations.

9.0 TAXES

- 9.1 The Holders shall be responsible for paying all duties, levies and lawful impositions applicable to the Licence and Lease in accordance with the applicable law.
- 9.2 Each Holder shall be responsible for reporting and discharging its own tax measured by the profit or income of the Holder under the Licence or Lease.

10.0 ENVIRONMENTAL REMEDIATION FUND

- 10.1 The Holders shall pay a prescribed financial contribution to be determined by the Commission in accordance with applicable Regulations.
- 10.2 The Holders shall in addition to Clause 10.1, increase their contributions into the Environmental Remediation Fund by an amount derived from the Holders' annual self-assessment of the environmental liability arising from Upstream Petroleum Operations or as otherwise determined by the Commission where an assessment is conducted by an independent assessor appointed by the Commission.

10.3 Each Holder shall be liable for its Participating Interest share of contributions made or to be made into the environmental remediation fund by the Holders under this Contract.

11.0 RENEWAL OF PETROLEUM MINING LEASES

11.1 The renewal of any Petroleum Mining Lease derived from the Licence shall be subject to such terms and conditions determined by the Commission and the Holders shall pay a renewal bonus in the amount specified by the Commission, which amount shall be determined in the manner prescribed by the Regulations.

11.2 Each Holder shall be liable for its Participating Interest share of any renewal bonus payable by the Holders under this Contract.

12.0 RESTRICTION ON ASSIGNMENT

12.1 Subject to clause 12.3, no Holder may assign, transfer, novate or otherwise dispose, either directly or indirectly, more than forty-nine percent (49%) of its participating interest in the Licence or Lease, or any right, power or interest in the Licence or Lease, to a Foreign Person.

12.3 A Holder may assign, transfer, novate or otherwise dispose, of more than forty-nine percent (49%) of its participating interest in the Licence or Lease, or any right, power or interest in the Licence or Lease, to a Foreign Person if the other Holders approve, provided that no Foreign Person may, at any time, either directly or indirectly, hold more than forty-nine percent (49%) participating interest in a Licence or Lease.

12.4 No assignment to an entity that is not a Party to this Contract (**New Party**), shall be valid until such New Party executes a deed, undertaking to be bound by the terms of this Contract and the Licence.

12.5 The Holders shall procure that the shareholding of the Holders in the Operator shall at all times correspond with the Participating Interest of the Holders, such that any change in the ownership interest in the Licence or Lease shall require a consequential change in the shareholding of the Operator to reflect the said change in the ownership interest in the Licence or Lease.

13.0 OPERATORSHIP

- 13.1 The Holders have jointly incorporated a special purpose vehicle (Company) to act as the Operator of the Licence or Lease and each Holder owns shares in the Company, proportionate to its Participating Interest in the Licence.
- 13.2 The Holders pursuant to an operating agreement executed or to be executed amongst themselves and the Company, have conferred the Company with the authority to act on their behalf as their agent or representative as Operator of the Licence Area or Lease Area, with the responsibility to perform Petroleum Upstream Operations within the Licence Area or Lease Area, subject to the terms of the said operating agreement and in all engagements with the Commission.
- 13.3 The Operator shall conduct Upstream Petroleum Operations on behalf of the Holders and shall be responsible for:
- 13.3.1 the giving and receiving of all notices, communication and information as may be required under this Contract, the Licence, Lease, Act or Regulations;
 - 13.3.2 communication and attendance of all meetings with the Commission and any other government authority with respect to the Licence or Lease;
 - 13.3.3 making relevant assessments and payments due to the Commission from the Holders in respect of the Licence or Lease; and
 - 13.3.4 performing all the responsibilities of the Holders as required under the Act, Regulations, this Contract and the Licence or Lease.
- 13.4 The Operator shall act as the agent for the service of court or arbitration processes for the Holders, upon whom such processes may be served in any action arising out of or based on this Contract, the Licence, Lease, Act or Regulations and each Holder expressly accepts the jurisdiction of any such arbitral panel or court in respect of any such action.
- 13.5 The Holders jointly agree to procure from each Operator appointed by the Holders its acceptance to act as the agent for notices and service of court or arbitration processes as provided under this Contract and deliver evidence of such acceptance to the Commission.
- 13.6 Notwithstanding the appointment of, and the rights, powers and duties of the Operator under any contract or arrangement between the Holders and the

Operator, the rights, duties, obligations and liabilities of the Holders under this Contract and the Licence or Lease shall be several, not joint nor joint and several.

- 13.7 Each of the Holders shall be fully bound by any and all acts, omissions and things done, made or performed or agreements made with respect to the conduct of Upstream Petroleum Operations by the Operator as though each of the Holders had severally done, omitted or performed the same.
- 13.8 In the event that an Operator retires, resigns, is removed, replaced or is otherwise unable to act as operator for the conduct of Upstream Petroleum Operations, the Holders shall promptly appoint some other Person to act as operator for the conduct of Upstream Petroleum Operations and shall promptly notify such appointment in writing to the Commission, provided that Clause 12.5 on shareholding of Holders in the Operator shall apply to in relation to any Person so appointed.
- 13.9 Any change in Operator shall require the prior written approval of the Commission, such approval not to be unreasonably withheld.

14.0 REPRESENTATIONS AND WARRANTIES

- 14.1 Each Holder hereby represents and warrants that on the date of execution of this Contract and on the Effective Date:
- 14.1.1 the Holder is duly incorporated and validly existing in accordance with Nigerian law, is a separate legal entity capable of suing and being sued and has the power, capacity and authority to own its assets and to conduct its business as currently conducted and as contemplated in this Contract;
- 14.1.2 this Contract constitutes a valid, binding and enforceable obligation of the Holder in accordance with its terms and this Contract is in the proper legal form for enforcement against the Holder;
- 14.1.3 the Holder has not entered into any agreements or obligations which would have an adverse effect on the Holder's ability to fulfill its commitments and perform its obligations in accordance with this Contract;
- 14.1.4 it has full power and authority to perform all its obligations under this Contract;

- 14.1.5 there are no bankruptcy, insolvency, reorganization or receivership proceedings pending, being contemplated by, or to the best of its knowledge, threatened against it;
- 14.1.6 it is not party to any litigation, arbitration or other proceedings nor subject to any investigation or enquiry nor bound by any order, injunction, declaration, judgment or award of any court, arbitrator or other forum which could adversely affect the ability of the Holder to perform its covenants or obligations under this Contract.
- 14.1.7 it has sufficient financial resources and technical capacity to implement the work programmes and fulfil the financial obligations it has committed to under this Contract, the terms of Licence and the terms of any Petroleum Mining Lease derived therefrom;
- 14.1.8 It possesses the technical competence, capacity, skilled personnel and expertise required to exploit the Licence Area;
- 14.1.9 it has not and will not, directly or indirectly, in connection with this Contract and the business resulting therefrom, offer, pay, promise to pay, or authorize the giving of anything of value to a government official (including employees of a government oil company), to any employee of the Commission, to any officer or employee of a public international organization, to any political party or official thereof or to any candidate for political office, or to any Person, while knowing or being aware of a high probability that all or a portion of such thing of value will be offered, given or promised, directly or indirectly, to any government official, to any officer or employee of a public international organization, to any political party or official thereof, or to any candidate for political office, for the purpose of:
- (a) influencing any act or decision of such official, officer, employee, political party, party official, or candidate in his or its official capacity, including a decision to fail to perform his or its official functions; or
 - (b) inducing such official, officer, employee, political party, or candidate to use his or its influence with the government or instrumentality thereof (including a government oil company) or organization to affect or influence any act or decision of such government or instrumentality or organization to obtain or retain business related to this Agreement, to direct business related to

this Agreement to any Person or to obtain any improper advantage or benefit in order to assist in obtaining or retaining business for or with, or directing business to any other Person in relation to this Agreement.

14.2 Each Holder repeats the representations and warranties in this clause 14.0 on each day of the duration of this Contract, except for those in clause 14.1.6 which is deemed repeated on the first day of each calendar quarter.

14.3 For the avoidance of doubt, any breach of the representations and warranties in this Clause (f) by any Holder, will constitute a breach, of the terms of the Licence and any Lease derived therefrom, by the relevant Holder or Holders responsible for the said breach.

15.0 FORCE MAJEURE

15.1 The occurrence of Force Majeure shall not excuse the obligations of the Holder under Clauses 6.0, 7.0, 9.0 and 8.0.

16.0 DEFAULT, TERM AND TERMINATION

16.1 Any Holder that fails to:

16.1.1 pay when due its Participating Interest share of Upstream Petroleum Operations expenses; or

16.1.2 obtain and maintain any Performance Security required of such Holder under the Contract or the Licence or Lease;

shall be in default under this Contract and the Licence or Lease and the Commission may exercise any rights or remedies under this Contract, the Licence, the Lease, the Act or the Regulations against such Holder to the exclusion of other Holders.

16.2 This Contract shall be deemed to have been terminated if the Licence and all Petroleum Mining Leases that derive from the Licence have either expired, or have in accordance with the Act, Regulations, Licence or Lease been surrendered in full or have been lawfully revoked in accordance with the Act.

16.3 This Contract may be terminated only as to one or more Holders (Leaving Holder), without affecting the rights of the other Holder(s) (Remaining Holders) where the Commission exercises its rights and remedies against a Defaulting Holder pursuant to clause 16.1. In the event of a partial termination, this

Contract and the License or Lease shall continue to operate and be effective with regard to the Remaining Holders in accordance with their Participating Interest share.

- 16.4 On the termination of this Contract, the rights thereunder of the Leaving Holders shall cease but the termination shall not affect any liability incurred by or on behalf of the Leaving Holders before the termination.

17.0 GOVERNING LAW DISPUTE RESOLUTION

- 17.1 The terms of this Contract shall be subject to and governed by the Laws of the Federal Republic of Nigeria.

- 17.2 A dispute shall be deemed to have arisen when either Party notifies the other Party in writing to that effect (Dispute Notice). Such notice shall contain the nature of the dispute and the relief requested.

- 17.3 Any dispute arising out of or in connection with this Contract shall be subjected to good faith negotiations between the duly nominated representatives of the Parties, towards achieving an amicable resolution.

- 17.4 In the event that the Parties are unable to reach an amicable settlement within forty-five (45) days of the Dispute Notice, either Party may then refer the dispute to be settled by a sole arbitrator pursuant to the Arbitration Rules forming part of the Arbitration and Conciliation Act then in force, by notifying the other Party of its intention to commence the arbitration process (**Arbitration Notice**). The Parties shall within thirty (30) days of the dated of the Arbitration Notice, jointly appoint the sole arbitrator. Where the Parties fail to agree on the choice of the sole arbitrator within the specified period, the President of the Chartered Institute of Arbitration (UK) Nigerian Branch shall, following a request made by either Party, appoint a sole arbitrator to determine the dispute.

- 17.5 The arbitration shall take place at the Regional Centre for International Commercial Arbitration Lagos, its successor, or at any other venue to be mutually agreed by the Parties.

- 17.6 The arbitration shall be held in English. Any decision of the arbitrators shall be final and binding upon the parties to the arbitration. The Seat of the arbitration shall be Nigeria.

- 17.7 Where any or all of the Holders are unsuccessful in any litigation or arbitration proceedings against the Commission, the Minister or the Government,

instituted in relation to this Contract or the Licence or Lease, the Holders shall be liable to reimburse the legal and other associated costs incurred by the Commission, Minister or Government to participate in such proceedings.

18.0 NOTICES

18.1 All notices or other communication required to be given under this Contract by either party to the other, shall be in writing and delivered by hand or courier and addressed to the Chief Executive of either party at the address stated in this clause 18.1 as follows:

18.1.1 For **MAX UPSTREAM LIMITED**

ADDRESS: Plot 6B, Olajide Olabanji Street, Off Adewunmi Adebimpe Drive, Lekki Phase 1, Lagos
EMAIL:

18.1.2 For **WATLNE SYSTEMS LIMITED**

ADDRESS: Plot 97, Olomu Avenue, Royal Gardens Estate, Ajah, Lagos
EMAIL:

18.1.3 For the **NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION**

ADDRESS: No. 7 Sylvester Ugoh Crescent, Jabi, Abuja, Nigeria
EMAIL: nuprc.@nuprc.gov.ng

18.1.4 A party may change its address by notifying the other party in writing from time to time.

18.1 Any notice or other communication that the Commission gives to the Holders or the Operator on their behalf under or in connection with this Contract, the Licence, Lease, Act or Regulations shall be deemed to have been received, at the time it is left at the address of the Holder, or the Operator on behalf of all the Holders, provided under clause 18.1.

18.2 A notice or other communication given as described in clause 18.1 on a day that is not a Business Day, or after normal business hours, in the place it is received, shall be deemed to have been received on the next Business Day.

instituted in relation to this Contract or the Licence or Lease, the Holders shall be liable to reimburse the legal and other associated costs incurred by the Commission, Minister or Government to participate in such proceedings.

18.0 NOTICES

18.1 All notices or other communication required to be given under this Contract by either party to the other, shall be in writing and delivered by hand or courier and addressed to the Chief Executive of either party at the address stated in this clause 18.1 as follows:

18.1.1 For MAX UPSTREAM LIMITED

ADDRESS: No. 23, Lord Lugard Street, Asokoro, Abuja

EMAIL: maxupstreamltd@gmail.com

18.1.2 For WATLNE SYSTEMS LIMITED

ADDRESS: Plot 25, Whitesands Street, Lekki Phase 1, Lagos

EMAIL: toba@watlne.com

18.1.3 For the NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION

ADDRESS: No. 7 Sylvester Ugoh Crescent, Jabi, Abuja, Nigeria

EMAIL: nuprc.@nuprc.gov.ng

18.1.4 A party may change its address by notifying the other party in writing from time to time.

18.1 Any notice or other communication that the Commission gives to the Holders or the Operator on their behalf under or in connection with this Contract, the Licence, Lease, Act or Regulations shall be deemed to have been received, at the time it is left at the address of the Holder, or the Operator on behalf of all the Holders, provided under clause 18.1.

18.2 A notice or other communication given as described in clause 18.1 on a day that is not a Business Day, or after normal business hours, in the place it is received, shall be deemed to have been received on the next Business Day.

18.3 Any notice or other communication given to the Commission by the Holder or the Operator on behalf of the Holders shall be deemed to have been received only on actual receipt and acknowledgement by the Commission.

- 18.4 A notice or other communication given under or in connection with the Licence or Lease is only valid if sent by email upon acknowledgement by the other party or its representative.
- 18.5 Notwithstanding the above, general notices issued by the Commission shall be deemed delivered, three (3) days after they are issued or posted by the Commission on its secured website
- 18.6 Clauses 18.1 to 18.5 (inclusive) does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.
- 18.7 The provisions of clause 18.0 as to manner and delivery of notices or other communications shall be deemed to apply to the Operator and any notice or other communication issued under this Contract, the Licence, Lease, Act or Regulations and delivered to the Operator by the Commission or Government shall be deemed to have been delivered to all Holders.
- 18.8 The address of the Operator for the purpose of service of notices, communications and processes is as follows:

ADDRESS: Plot 25, Whitesands Street, Lekki Phase 1, Lagos

Email: toba@watlne.com

or such other address notified by the Operator to the Commission.

19.0 GENERAL PROVISIONS

- 19.1 The terms of this Contract shall not be amended, modified, altered or supplemented other than by an agreement executed by both Parties or by virtue of the Regulations and the Act.
- 19.2 This Contract shall be binding on the Holders and their respective successors and permitted assigns.
- 19.3 No failure or delay on the part of either Party hereto to exercise any right or remedy under this Contract or the partial exercise thereto shall be construed or operate as a waiver thereof. The rights and remedies provided in this Contract

are cumulative and are not exclusive of any rights or remedies provided under the Act, Regulations under Nigerian Law.

- 19.4 If and for so long as any provision of this Contract is found by a court or other tribunal of competent jurisdiction or is declared by applicable law to be invalid, then such invalid provision shall be deemed to be severed from this Contract to the extent of its invalidity. The remaining provisions of this Contract shall continue in full force and effect and such severance shall not (to the greatest possible extent) affect the validity or operation of any other provision of this Contract.
- 19.5 Any remedy which provides for the payment of liquidated damages by a Party represents a genuine pre-estimate of the likely or possible loss or damage which might otherwise be suffered by the Party to whom such liquidated damages are payable in consequence of the act or omission of the Party liable to pay such liquidated damages and shall not in any way be construed as a penalty.
- 19.6 This Contract may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Contract.

IN WITNESS WHEREOF the Parties have hereunto set their hands on the day first above written.

SIGNED and DELIVERED

For and on behalf of:

THE NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION

By:



.....
ENGR. GBENGA KOMOLAFE FNSE
COMMISSION CHIEF EXECUTIVE

Witnessed By:



.....
OLAYEMI ANYANECHI
COMMISSION SECRETARY/LEGAL ADVISER

SIGNED FOR AND ON BEHALF OF
MAX UPSTREAM LIMITED
Acting by:




.....
NAME: Nwagora Ebuka Henry
DIRECTOR

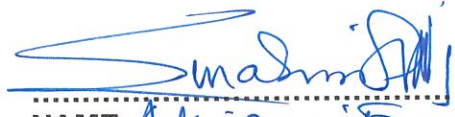


.....
NAME ASogwalike Kelvin
DIRECTOR/SECRETARY

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**SIGNED FOR AND ON BEHALF OF
WATLNE SYSTEMS LIMITED
Acting by:**


.....
NAME: OLORUNFEMI
AKINOLA
DIRECTOR


.....
NAME Akinnammi Emmanuel
OLATUNJI
DIRECTOR/SECRETARY

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ANNEXURE 2

MINIMUM WORK PROGRAMME AND BUDGET

The minimum Work Programme to be executed by the Licensee {s} during the term of the licence shall be as follows:

- (a) Phase I - 1 year
 - i. Data Gathering and evaluation
 - ii. Well re-entry
 - iii. Well test and or completion

- (b) Phase II - 2 years
 - i. Drill a minimum of one well
 - ii. Submit Field Development Plan

Minimum Financial Commitment

The Licensee {s} shall be obligated to incur the following Minimum Financial Commitment:

1. US\$24,500,000.00
2. If Licensee {s} fulfils the minimum Work Programme set forth above within the duration of the licence, it shall be deemed to have satisfied the minimum financial commitment.



ANNEXURE 3

WORK PROGRAMME PERFORMANCE SECURITY

TO THE PETROLEUM PROSPECTING LICENCE CONTRACT BETWEEN NUPRC AND THE LICENSEE{S} OF PPL NO..... DATED..... OF 2022

- (a) The Licensee {s} undertakes to maintain a Work Programme (WP) Performance Security in the sum of **USD\$500,000** in a financial Institution acceptable to the Commission and licenced by the Central Bank of Nigeria with a minimum Credit Rating of "BBB" (or a foreign bank with at least equivalent credit rating) for the Minimum Work Programme for Phases I and II.
- (b) The WP Performance Security shall commence on the Licence commencement date up until 180 days after the term of the Licence expired.

SIGNED BY:

DIRECTOR:

SECRETARY: