Amendment to the Production Sharing Contract for Timor-Leste
Onshore Contract area PSC TL-OT-17-09, dated April 7, 2017

Parties

NATIONAL AUTHORITY OF PETROLEUM AND MINERALS OF TIMOR-LESTE, created in the terms of the provisions of Decree-Law No. 20/2008 of 19 June, as amended by Decree-Law No. 1/2016, of 9 February (“First Amendment”) and by Decree-Law No. 27/2019, of 27 August (“Second Amendment”) (“ANPM Decree-Law”), in its name and on behalf of the Ministry of Petroleum and Mineral Resources (hereinafter “Ministry”), pursuant to article 26 of ANPM Decree-Law for the purposes of Law no. 13/2005, of September 2, as amended by Law No. 1/2019, of January 18 (“Law of Petroleum Activities”) (ANPM)

TIMOR RESOURCES PTY LTD, a company incorporated under the laws of Australia, registered under number ACN 615 768 904, headquartered at Level 36, 71 Eagle Street Brisbane Queensland, Australia and permanent representation in the Democratic Republic of Timor-Leste, with the Unique Company Number (“TIN”) 2003092, and offices on the 3rd floor, CBD 3, Timor Plaza, Dili, Timor-Leste (TIMOR RESOURCES)

TIMOR GAP ONSHORE BLOCK C, UNIPESSOAL, LDA., Incorporated company, organized and existing under the laws of the Democratic Republic of Timor-Leste, with the Unique Company Number (“TIN”) 2003060, with headquarters at Floor 3, Timor Plaza, Rua President Nicolau Lobato, Comoro, Dili, Timor-Leste (TIMOR GAP)

(TIMOR RESOURCES and TIMOR GAP are jointly referred to as “Contractor”)

Whereas:

(A) On April 7, 2017, the Parties entered into a Production Sharing Contract for Research, Development and Oil Production in the Contract Area;

(B) The Parties recognize the need to make some changes to the Production Sharing Contract in order to improve the operational terms of your implementation and make the Research more attractive from an economic and financial point of view in accordance with the Petroleum Industry’s Best Techniques and Practices;

(C) In addition to the provisions of the previous Consideration (B), the geological information obtained during the research work conducted to date, recommends the enlargement of the Contract Area in order to align it with the geological formations;

(D) The Parties also intend to redefine the terms of the Decommissioning Fund for in order to requalify the accumulated interest deposited in the escrow account opened for the effect and terms of the Local Content Plan with a view to aligning it with the real needs of the population of Timor-Leste;

(E) In order to achieve the objectives mentioned in the previous Considerations (B) to (D) and taking the opportunity to clarify the meaning of some of its provisions, the Parties agreed to amend the terms of the Production Sharing Contract in accordance with the terms and conditions provided for in this Amendment.
1. Definitions and Interpretation

1.1 Definitions

“Production Sharing Contract” (“PSC”) means the Production Sharing Contract between the Parties on April 7, 2017.

1.2 Interpretation

In this addendum:

(a) the epigraphs are for reference only and do not affect the interpretation, unless the context clearly results the opposite;

(b) a reference to a document (including this Addendum) is deemed to have been made that document as amended, revised, ratified or revoked from time to time; and

(c) a reference to a part, clause, table, appendix and annex and a reference to a part, clause, table, appendix and annex to this or this Addendum, and a reference to this Addendum includes all tables, attachments and annexes to it.

2. Changes to the PSC

The Parties agree to amend the PSC in accordance with the provisions of this Clause 2.a, as follows:

Article 6

Paragraph a) of paragraph 6 of Article 6 is amended as follows:

6.6 Decommissioning Fund

a) The Contractor shall, after the commencement of Commercial Production, establish a Decommissioning Fund under the terms of the Applicable Law in Timor-Leste, which will take the form of a remunerated escrow account, which constitutes an account which, when possible, should generate a maximum yield of 1 (one) percentage point of margin above the annual yield of US Government Treasury Bonds (30-year bonds) on behalf of the Ministry in an institution approved by the Ministry. The interest accumulated in the Decommissioning Fund do not constitute recoverable costs nor is it tax deductible.

Article 14

Paragraph 2 of Article 14 is amended, and a new number 7 is added to the Article, in the following terms:

14.2 If the Ministry does not pronounce itself for the purposes of the provisions of the previous number 1 within thirty (30) days, counting from the date of receipt of the written request by the Contractor, approval shall be deemed to be tacitly granted.

[...]

14.7 The Contractor shall purchase Timor-Leste Goods and Timor-Leste Services of acceptable quality that meets the health and safety requirements set out in the applicable Law of Timor-Leste and are available for sale and delivery on time at reasonable prices that do not exceed the price of imported goods and similar services by more than 10%, including any shipping and insurance costs and customs duties and charges.
Annexes A and B - Description and Map of the Contract Area

1. Annex A is amended as follows:

The area bounded by the lines, as defined by the Reference System of coordinates of WGS84:

PSC TL-OT-17-09 Coordinate List

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2. Annex B is amended as follows:

PSC TL-OT-17-09 Reference Map

3. The validity and effectiveness of the amendments to Annexes A and B provided for in the previous paragraphs 1 and 2 is subject to prior amendment to Government Resolution No. 39/2016, of 23 November, which approved the description and map of the contract area for Onshore Block C.
Annex C

Paragraphs 6 to 9 of Clause 2 of Annex C are amended as follows:

Clause 2.6 Uplift

The Uplift rate is the amount that, when composed quarterly, is equal to the average of the annual yield on US long-term government bonds [government bonds 30 (thirty) years], calculated based on the Business Days of the Quarter, plus an annual margin of 9 (nine) percentage points. The Uplift rate applies exclusively to Research Costs, Valuation Costs and Capital Costs, not being applicable to Operational costs.

In cases where the Contractor is responsible for withholding tax (RF), on account of the possible fiscal responsibility of its subcontractors, namely on any taxes on goods and services or on the income of natural persons (in relation to workers), the Contractor will only be able to recover the basic tax as a part of Recoverable Costs, without any Uplift.

Clause 2.7 Miscellaneous Income

Sub-line (viii) of line a) is eliminated.

Clause 2.8 Non-Eligible Costs

[...]

p) Costs incurred with the acquisition of goods and services in breach of the provisions number 7 of article 14 of this Contract;

[...]

bb) Except with the prior consent of the Ministry and in accordance with the conditions of such consent, any expenses relating to the rental or leasing of Facilities [excluding equipment, other goods or work less than US $50,000.00 (fifty thousand US dollars)];

Clause 2.9 Other Matters

Points (h) and (i) are added as follows:

h) Any payments made to third parties, regardless of their nature, related to the clearing and preparation of land for Petroleum Activities of amount exceeding US $50,000.00 (fifty thousand US dollars) will only be eligible as Recoverable Costs upon approval by the Ministry;

i) Any payments made to third parties, regardless of their nature, regarding land clearing and preparation work that has been previously approved by the Ministry for Petroleum Activities, in accordance with less than US $ 50,000.00 (fifty thousand US dollars), will be eligible as recoverable costs.

Annex D

Annex D is repealed and replaced by the following Local Content Plan:

1. Water Project

In view of the result of the analysis or evaluation work, the Parties agreed to amend the Local Content Plan in order to solve water scarcity problems in the Contract Area. Feriksare was identified as the area for the implementation of this Water Project.

1.1 Methodologies

The associated methodologies, feasibility studies and steps required to implement the Water Project are as follows:

1. Identification of water well locations
- GoTL database
- Evaluation of existing water wells and natural sources (Sample A)
- Creation of a database of existing water wells (Sample B)
2. Formulation of the plan for rehabilitation of the existing water infrastructure
3. Conducting associated surveys for drilling, distribution and management of Water
4. Drilling of water wells and / or replacement of defective infrastructure, including pumps
5. Construction of an elevating water tower, acquisition of pumps and piping distribution
6. Supervision of installation and maintenance
7. Continuous training of the local population for maintenance work

1.2 Estimated Cost and Measures

The total estimated cost for the Water Project is approximately US$72,880 (seventy two thousand eight hundred and eighty US dollars). This budget is for mere reference purposes, as it will be subject to change during the period of implementation of the project and, consequently, may increase or decrease depending on the variations of the market during the implementation period. The intention is to build (drill) 3 (three) water wells and replace up to 5 (five) pumps in the Water Project area.

1.3 Timeline

The Water Project is expected to begin in the first quarter (Q1) of 2020, with its conclusion projected for the end of the fourth quarter (Q4) of the same year.

2 Horticulture Pilot Project

The Horticulture Pilot Project aims to promote family self-sufficiency in terms of producing their own food and improving household income through the sale of their food products to the community in general.

2.1 Methodologies

This Horticulture Pilot Project will adopt the following methodologies and feasibility studies during its implementation:

1. Identification of land and types of crops
2. Market assessment
3. Identification and selection of groups of farmers
4. Design or implement an irrigation/water distribution plan in the Horticulture Pilot Project area
5. Clearing and preparation of agricultural land

2.2 Estimated costs

The estimated total cost for the Horticulture Pilot Project is approximately US$31,500 (thirty-one thousand and five hundred American dollars). This budget is for reference purposes, as it will be subject to change during the reporting period, implementation of the project and, consequently, may increase or decrease depending on market variations during the implementation period.

2.3 Timeline

The Horticulture Pilot Project is expected to start in the first quarter (Q1) of 2021, with its conclusion projected for the end of the fourth quarter (Q4) of the respective year.

3 Expected result of the Local Content Plan

Timor Resources' expectation after the completion of the Water Project is that the community improves their living conditions as a result of access to a supply of clean, adequate and reliable water. The success of this Water Project will also have a positive impact on children's well-being by avoiding the need for them to having to travel kilometers to access water. This Water Project will also save time, raise hygiene standards and, in the long run, increase community food security.
In addition to the above, with the implementation of the Pilot Horticulture Project, the community will learn to become self-sufficient through the production of their own food and, in the long run, allow their food products to be sold to the community in general, which should gradually improve the income of families.


3.1 Applicable Law and Venue

Any disputes between the Parties resulting from or related to this Addendum will be resolved in accordance with the provisions of Article 18 of the PSC.

3.2 Originals

This Addendum may be signed by the Parties through original autonomous channels. Each original copy constitutes an addendum to the Party that signed and delivered it.

3.3 Binding Nature

This Addendum is binding and effective in relation to all Parties.

3.4 Effective Date

3.4.1 This Amendment takes effect from the date of its signature by all Parties.

3.4.2 Without prejudice to the preceding paragraph, the validity and effectiveness of the changes to Annexes A and B is subject to prior amendment of Government Resolution No. 39/2016, of November 23rd, which approved the description and map of the contract area for Onshore Block C.

3.4.3 Subject to the performance of the audits provided for in articles 8 and 22 of the PSC, in a satisfactory form, all costs duly incurred by the Operator since the Effective Date of the PSC will be eligible as Recoverable Costs under the terms and for the purposes of the provisions of Annex C, as amended by this Amendment.

3.5 Changes / Modifications

The Parties recognize and accept that this Addendum meets the requirements set out in paragraph 5 of article 26 of the PSC.

National Timor-Leste Petroleum and Minerals Authority (ANPM)
/s/ Gualdino do Carmo da Silva   16/01/2020

TIMOR RESOURCES Pty Ltd
/s/ Florentino Mateus Soares Ferreira   16/01/2020

TIMOR GAP ONSHORE BLOCK C, UNIPESSOAL, LDA
/s/ Norberta Soares da Costa   16/01/2020