



PUBLIC NOTICE – TIMOR SEA TREATY

Section 19 – Petroleum Mining Code - Summary Details of Production Sharing Contract for the Joint Petroleum Development Area

Parties

On 15 November 2006 Production Sharing Contract JPDA 06-103 ('PSC 06-103') was entered into between the Timor Sea Designated Authority ('TSDA') and Oilex (JPDA 06-103) Ltd, Global Energy Inc., Bharat PetroResources JPDA Limited, GSPC (JPDA) Limited (collectively 'the Contractor').

Exploration Period

Exploration is broken up into three periods totalling seven years. The Contractor is required to relinquish 25 percent of the contract area at the end of the third year and the remainder of the contract area at the expiration of the seventh year other than those parts of the contract area that constitute development areas.

Minimum work obligations are provided in the contract for each exploration period. These are as follows:

Contract Years 1-3

The Contractor has undertaken to acquire seismic including and to drill four exploration wells.

Contract Years 4-5

The Contractor has undertaken to drill one exploration well and acquire more 3D seismic.

Contract Years 6-7

The Contractor has undertaken to drill one exploration well.

Production Period

If a commercial discovery is made by the Contractor the TSDA is required to declare a development area over the relevant parts of the contract area. Within 12 months of the declaration of a development area, the Contractor is required to submit a development plan outlining its proposals for the development of the field. Relinquishment of a development area occurs after a period of 25 years from the approval of the development plan.

Cost Recovery and Production Sharing

The first 5 percent of production is taken by the TSDA. The Contractor will recover its exploration, development and operating expenditures, including uplift on such expenditures, and Past Costs, from the remaining 95 percent of production.

Any production remaining after cost recovery is shared on the basis that the Contractor receives 60 percent and the TSDA 40 percent of that remaining production.

The sales revenue derived from the share of production that the TSDA is entitled to, is shared, as between Timor-Leste and Australia, 90 percent and 10 percent respectively.

Timor Content

The Contractor will establish a head operations office in Timor-Leste and, during initial exploratory drilling operations, a temporary shore base in one of the southern coast ports. In the event of a commercial discovery the Contractor would significantly expand its office and operations, with commensurate increases in expenditure and investment, along with the development of possible facilities (helicopter and logistic support) and employment in remote locations.

The Contractor will maximise the employment of high potential Timor-Leste nationals and permanent residents in its operations office from the outset. Training programs and processes will be designed and implemented to accelerate the technical and professional development of these employees.

The Contractor commits to contributing at least USD150,000 per year to training and development of Timor-Leste national employees during the exploration phase and if a commercial discovery is made, then the Contractor would commit to spending at least USD850,000 per year on training and technology transfer to Timor-Leste nationals for approximately ten years. Commercial discovery would also lead to the further employment of Timor-Leste nationals in offshore drilling, development and production activities.

The Contractor will maximise the use of Timor-Leste goods and services, which will be sourced through tender processes. Preference will be given to suppliers where price, delivery time and quality being offered are competitive and meet the minimum technical and commercial requirements set at the outset of the tender process. Once a commercial discovery is made and operations shift into development activities, there would be much greater potential for the use of Timor-Leste goods and services to support and sustain any construction, development and production operations.

Dispute Resolution

In case of disputes between the parties to PSC 06-103, and in the event they cannot be settled amicably, arbitration will be conducted in accordance with the rules of the International Chamber of Commerce. The place of arbitration is Singapore and the applicable laws will be the laws of England.

Jose Lobato
Executive Director

Map of Contract Area – JPDA 06-103

