

Annex “C”

EPCC Accounting and Financial Procedure

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Annex C
EPCC Accounting and Financial Procedure

This Annex is attached to and made part of the Exploration and Production Concession Contract (hereinafter referred to as "the EPCC") dated, 2010 awarded by the Government of the Republic of Mozambique to XYZ and ABC (hereinafter referred to as "the Concessionaire").

Section 1

General Provisions

1.1 Definitions

For the purposes of this EPCC Accounting and Financial Procedure the terms used here in which are defined in the applicable law, the EPCC or the Joint Operating Agreement shall have the same meaning when used in this EPCC Accounting and Financial Procedure.

1.2 Statements required to be submitted by the Concessionaire

- (a) Within ninety (90) days of the Effective Date, the Concessionaire shall submit to the Government a proposed outline of charts of accounts, operating records and reports, which outline shall be in accordance with the applicable law and generally accepted and recognised accounting principles, used in the international petroleum industry. Within ninety (90) days of receiving the above submission the Government shall either indicate its approval of the proposal or request revisions to the proposal. Within one hundred and eighty (180) calendar days after the Government has approved the Concessionaire's proposals, the Concessionaire and Government shall approve an outline charts of accounts, operating records and reports which shall describe the basis of the accounting system and procedures to be developed and used under the EPCC. Following such approval, the Concessionaire shall expeditiously prepare and provide the Government with formal copies of the comprehensive charts of accounts related to the accounting, recording and reporting functions, and allow Government to examine the Concessionaire's manuals, if any, and to review procedures which are, and shall be, observed under the EPCC.

- (b) Notwithstanding the generality of the foregoing, the Concessionaire is required to make regular statements relating to the Petroleum Operations. These Statements are as follows:

- (i) Production Statement (see Section 5 of this Annex);
 - (ii) Value of Production and Petroleum Production Tax Statement (see Section 6 of this Annex);
 - (iii) Cost Recovery Statement (see Section 7 of this Annex);
 - (iv) Statement of Expenditures and Receipts (see Section 8 of this Annex);
 - (v) Final End-of-Year Statement (see Section 9 of this Annex);
 - (vi) Budget Statement (see Section 10 of this Annex);
 - (vii) Long Range Plans (see Section 11 of this Annex).
- (c) All reports and statements will be prepared in accordance with the EPCC, applicable law and, where there are no relevant provisions in either of these, in accordance with generally accepted and recognised accounting principles used in the international petroleum industry.

1.3 Language and Units of Account

- (a) Accounts shall be maintained in United States dollars and such other currency as may be required under the applicable law. Metric units and barrels shall be employed for measurements required under this Annex. The language employed shall be English and such other language as may be required under the applicable law. Where necessary for clarification the Concessionaire may also maintain accounts and records in other languages, units of measurement and currencies.
- (b) It is the intent of this Accounting and Financial Procedure that neither the Government nor the Concessionaire should experience an exchange gain or loss at the expense of, or to the benefit of, the other.

However, should there be any gain or loss from exchange of currency, it will be credited or charged to the accounts under the EPCC.

- (c) Amounts received and costs and expenditures made in Mozambican Meticaís or in United States dollars shall be converted from Mozambican Meticaís into United States dollars or from United States dollars into Mozambican Meticaís on the basis of the average of the buying and selling exchange rates between the currencies in question as published by Banco de Mocambique or in accordance with the applicable law, prevailing on the actual day of the transaction on which such amounts are received and costs and expenditures are paid, or as agreed by the Parties.

1.4 Payments

- (a) Except as provided in Subsections 1.4(b) and (c), all payments between the Parties shall, unless otherwise agreed, be in United States dollars and through a bank designated by each receiving Party.
- (b) Payment of any tax by the Concessionaire shall be made in accordance with the provisions of the EPCC and the applicable law.
- (c) Discharge of the Concessionaire's obligation with respect to the Petroleum Production Tax and the Government's share of Profit Petroleum shall be made in accordance with the EPCC and the applicable law.
- (d) All sums due by a Concessionaire to the Government under the EPCC during any calendar month shall, for each day such sums are overdue during such month, bear interest compounded quarterly at an annual rate equal to LIBOR plus one (1) percentage point.

1.5. Audit and Inspection Rights of the Government

- (a) Upon giving the Concessionaire sixty (60) calendar days notice, the competent authority of the Government shall have the right to audit the

Concessionaire's accounts and records maintained hereunder with respect to each calendar year within three (3) years from the end of each such calendar year. Notice of any exception to the Concessionaire's accounts of any calendar year must be submitted to the Concessionaire within three (3) years from the end of such calendar year. For purposes of auditing, the Government may examine and verify at reasonable times all charges and credits relating to the Petroleum Operations such as books of account, accounting entries, material records and any other documents, correspondence and records necessary to audit and verify the charges and credits. Furthermore the auditors shall have the right in connection with such audit to visit and inspect, subject to reasonable notification, all sites, plants, facilities, warehouses and offices of the Concessionaire serving the Petroleum Operations including visiting personnel associated with those operations.

- (b) Without prejudice to the finality of matters as described in Subsection 1.5(a) all documents referred to in that sub-section shall be maintained and made available for inspection by the Government for such a time as prescribed by the applicable law.
- (c) In the event that Government does not conduct an audit with respect to a calendar year or conducts the audit but does not issue an audit report within the time specified in Subsection 1.5 (a) above, Government shall be deemed not to have objected the Cost Recovery Statement prepared and maintained by the Concessionaire and such Cost Recovery Statement shall be considered true and correct for Cost Recovery purposes for such calendar year absent manifest disregard of applicable procedure, fraud or wilful misconduct. In case where Government conducts a review and issue an audit report, Government shall be deemed not to have objected to the Cost Recovery Statement and such Cost Recovery Statement shall be considered true and correct for Cost Recovery purposes for such calendar year with respect to each item which is not the subject of an exception in such audit report absent manifest disregard of applicable procedure, fraud or wilful misconduct.

Section 2

Classification, Definition and Allocation of Costs and Expenditures

All expenditures relating to the Petroleum Operations shall, subject to applicable law be classified, defined and allocated as follows:

2.1. Exploration Costs

Are all direct and allocated indirect costs incurred in the search for Petroleum in the EPCC Area, including but not limited to:

- (a) Aerial, geophysical, geochemical, paleontological, geological, topographical and seismic surveys and studies and their interpretation.
- (b) Core hole drilling and water well drilling.
- (c) Labour, materials and services used in drilling wells with the object of finding new petroleum reservoirs or for the purpose of appraising the extent of Petroleum Reservoirs already discovered provided such wells are not completed as producing wells.
- (d) Facilities used solely in support of these purposes including access roads and purchased geological and geophysical information.
- (e) Service Costs allocated to the Exploration Operations on a basis determined by the applicable law or in the absence of such law agreed to between the Government and the Concessionaire on a systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 30 of the EPCC.
- (f) General and Administrative Expenses allocated to the Exploration Operations on a basis determined by applicable law or in absence of such law agreed to between the Government and the Concessionaire on a systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 30 of the EPCC.

2.2. Development and Production Capital Expenditures

These shall consist of all expenditures incurred in the Development and Production Operations, including but not limited to:

- (a) Drilling wells which are completed as producing wells and drilling wells for purposes of producing from a Petroleum Reservoir already discovered regardless of whether these wells are dry or producing.
- (b) Completing wells by way of 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.
- (c) Intangible drilling costs such as labour, consumable material and services having no salvage value which are incurred in drilling and deepening of wells for production purposes.
- (d) The costs of field facilities such as flow lines, production and treatment units, wellhead equipment, subsurface equipment, enhanced recovery systems, offshore platforms, Petroleum storage facilities, export terminals and piers, harbours and related facilities, access roads for production activities.
- (e) Engineering and design studies for field facilities.
- (f) Service Costs allocated to the Development and Production Operations on a basis determined by applicable law or in absence of such law agreed to between the Government and the Concessionaire on a systematic basis and, failing agreement, to be determined by a sole expert in accordance with Article 30 of the EPCC.
- (g) General and Administrative Expenses allocated to the Development and Production Operations on a basis determined by applicable law or in absence of such law, agreed to between the Government and the Concessionaire on a systematic basis and, failing agreement, to be

determined by a sole expert in accordance with Article 30 of the EPCC.

2.3. Operating Costs

These are all expenditures incurred in the Petroleum Operations after the start of the Commercial Production which are other than Exploration Costs, Development and Production Capital Expenditures, General and Administrative Expenses and Service Costs, including but not limited to:

- (a) Operating, servicing, maintaining and repairing production and injection wells and all field facilities completed during the Development and Production Operations.
- (b) Planning, producing, controlling, measuring and testing the flow of Petroleum and collecting, gathering, treating, storing and transporting the Petroleum from the Petroleum Reservoir to the Delivery Point.
- (c) The balance of General and Administrative Expenses and Service Costs not allocated to the Exploration Operations or the Development and Production Operations.

2.4. Service Costs

These are direct and indirect expenditures in support of the Petroleum Operations including warehouses, offices, camps, piers, marine vessels, vehicles, motorised rolling equipment, aircraft, fire and security stations, workshops, water and sewage plants, power plants, housing, community and recreational facilities and furniture, tools and equipment used in these activities. Service costs in any calendar year shall include the total costs incurred in such year to purchase and/or construct said facilities as well as the annual costs to maintain and operate the same. All Service Costs will be regularly allocated as specified in Subsections 2.1(e), 2.2(f) and 2.3 to Exploration Costs, Development and Production Capital Expenditures and Operating Costs.

Service Costs incurred during the period commencing with the Effective Date and ending with the date of approval by the Government of the first Development Plan for a proposed Development and Production Area, shall be fully allocated to Exploration Cost. Commencing with the date of approval by the Government of the first Development Plan for a proposed Development and Production Area, and if it becomes necessary allocate Service Costs to or between Petroleum Operations, such allocation shall be made on an equitable basis in accordance with applicable law, or in absence of such law, agreed to between the Government and the Concessionaire on a systematic basis and, failing agreement, the allocation to be determined by a sole expert in accordance with Article 30 of the EPCC.

The Concessionaire shall furnish a description of its allocation procedures pertaining to Service Costs, along with each proposed Development Plan.

2.5. General and Administrative Expenses

- (a) All main office, field office and general administrative costs in the Republic of Mozambique including but not limited to supervisory, accounting and employee relations services.
- (b) An overhead charge for services rendered outside the Republic of Mozambique for managing the Petroleum Operations and for staff advice and assistance including financial, legal, accounting and employee relations services. This charge shall be five percent (5%) of contract costs up to five million US dollars (USD5,000,000), three percent (3%) of that portion of contract costs between five million US dollars (USD5,000,000) and ten million US dollars (USD10,000,000) and one and one half percent (1.5%) of contract costs which are in excess of ten million US dollars (USD10,000,000). The contract costs referred to herein shall include all Exploration Costs, Development and Production Capital Expenditures, Operating Costs and Service Costs.
- (c) All General and Administrative Expenses will be regularly allocated as specified in Subsections 2.1(f), 2.2(g) and 2.3 to Exploration Costs,

Development and Production Capital Expenditures and Operating Costs.

General and Administrative Expenses incurred during the period commencing with the Effective Date and ending with the date of approval by the Government of the first Development Plan for a proposed Development and Production Area, shall be fully allocated to Exploration Cost. Commencing with the date of approval by the Government of the first Development Plan for a proposed Development and Production Area, if it becomes necessary to allocate General and Administrative Expenses to or between Petroleum Operations, such allocation shall be made on an equitable basis agreed between the Parties in accordance with applicable law, failing agreement, the allocation to be determined by a sole expert in accordance with Article 30 of the EPCC.

Concessionaire shall furnish a description of its allocation procedures pertaining to General and Administrative Expenses, along with each proposed Development Plan.

2.6 Decommissioning Fund

For the purpose of costs related to the implementation of a Decommissioning Plan a Decommissioning Fund shall be established for each Development and Production Area, commencing from the calendar quarter in whichever of the following situations first occur:

- a) the Petroleum Produced has reached 50% of the aggregate recoverable reserves as determined in an approved Development Plan and any successive reappraisal of such initial recoverable reserves; or
- b) five (5) years prior to the expiry or surrender of this EPCC or the use of any facility for the purpose of extracting Petroleum from a Production and Development Area within this EPCC is permanently terminated.

For every subsequent calendar quarter in which Petroleum is produced, the Concessionaire shall charge as Operating Costs a portion of the estimated future cost of Decommissioning.

The amount to be deposited in the Decommissioning Fund for a calendar quarter shall be charged as Operating Costs subject to the Cost Recovery limitation stipulated in article 9.5 of the EPCC and calculated in the following manner:

$$QD = (ECA \times (CPP/EPR)) - DFB$$

where:

QD is the amount of funds to be transferred to the Decommissioning Fund in respect of the relevant calendar quarter;

ECA is the estimated cost of abandonment operations established pursuant to the Decommissioning Plan;

EPR is the estimated remaining Petroleum reserves to be recovered at the time the Decommissioning Fund was opened;

CPP is the cumulative production of Petroleum of the relevant calendar quarter

DFB is the Decommissioning Fund balance at the end of the previous calendar quarter.

Section 3

Costs, Expenses, Expenditures and Credits of the Concessionaire

3.1 Costs recoverable without further approval of the Government.

Subject to the provisions of the EPCC and applicable law, the Concessionaire shall bear and pay the following costs and expenses in respect of the Petroleum Operations. These costs and expenses will be classified under the headings referred to in Section 2. They are recoverable by the Concessionaire under the EPCC and include, but are not limited to the following:

(a) Surface Rights

This covers all direct costs attributable to the acquisition, renewal or relinquishment of surface rights acquired and maintained in force for the EPCC Area.

(b) Labour and Associated Labour Costs

- (i) gross salaries and wages including bonuses and premiums of the Concessionaire's employees directly engaged in the Petroleum Operations, irrespective of the location of such employees, it being understood that in the case of those personnel only a portion of whose time is dedicated to the Petroleum Operations, only that pro-rata portion of applicable salaries, wages and fringe benefits will be charged;
- (ii) the Concessionaire's costs regarding holiday, vacation, sickness, severance unless for dismissal of an employee without cause as determined by a court or arbitral body of competent jurisdiction and disability, retirement and survival payments applicable to the salaries and wages chargeable under (i) above. In respect of the severance, retirement, and survival payments mentioned above, the amount that will be cost recoverable shall be in proportion of the total time the

employee was directly engaged in the Petroleum Operations on a full time basis to the employee's total tenure with the Concessionaire and its Affiliates. If it becomes necessary to allocate these amounts to or between Petroleum Operations, such allocation shall be made on an equitable basis in accordance with applicable law, in the absence of such law as agreed between the Government and the Concessionaire and, failing agreement, the allocation to be determined by a sole expert in accordance with Article 30 of the EPCC.

- (iii) expenses or contributions made pursuant to assessments or obligations imposed under the applicable law which are applicable to the Concessionaire's cost of salaries and wages chargeable under (i) above;
- (iv) the Concessionaire's cost of established plans for employees' life insurance, hospitalisation, pensions, and other benefits of a like nature customarily granted to the Concessionaire's employees;
- (v) reasonable travel and personal expenses of employees of the Concessionaire including those made for travel and relocation of the expatriate employees and their families assigned to the Republic of Mozambique, all of which shall be in accordance with the Concessionaire's normal practice;
- (vi) any personal income taxes of the Republic of Mozambique incurred by employees and paid or reimbursed by the Concessionaire.

(c) Transportation

The cost of transportation of employees, equipment, materials and supplies necessary for the conduct of the Petroleum Operations.

(d) Charges for Services

(i) Third Party Contracts

The actual costs of contracts for technical and other services entered into by the Concessionaire for the Petroleum Operations, made with third parties other than Affiliated Companies of the Concessionaire are recoverable, provided that the prices paid by the Concessionaire are no higher than those generally charged by other international or domestic suppliers for comparable work and services.

(ii) Affiliated Companies of Concessionaire

Without prejudice to the charges to be made in accordance with Subsection 2.5, in the case of services rendered to the Petroleum Operations by an Affiliated Company of the Concessionaire, the charges will be based on actual costs and will be competitive. The charges will be no higher than the most favourable prices charged by the Affiliated Company to third parties for comparable services under similar terms and conditions elsewhere. The Concessionaire shall specify the amount of the charges which contributes an allocated proportion of the general material, management, technical and other costs of the Affiliated Company, and the amount which is the direct cost of providing the services concerned. If necessary, certified evidence regarding the basis of prices charged may be obtained from the auditors of the Affiliated Company.

(e) Material

(i) General

So far as is practicable and consistent with efficient, economical and internationally accepted operational requirements, only such material shall be purchased or furnished by the Concessionaire for use in the Petroleum Operations as may be required for use in the reasonably

foreseeable future and to the extent that such purchase or supply are in accordance with the EPCC.

(ii) Warranty of Material

The Concessionaire does not warrant material beyond the supplier's or manufacturer's guarantee and, in case of defective material or equipment, any adjustment received by the Concessionaire from the suppliers/ manufacturers or their agents will be credited to the accounts under the EPCC.

(iii) Value of material charged to the accounts under the EPCC

(a) Except as otherwise provided in (b) below material purchased by the Concessionaire for use in the Petroleum Operations shall be valued to include invoice price less trade and cash discounts (if any), purchase and procurement fees plus freight and forwarding charges between point of supply and point of shipment, freight to port of destination, insurance, taxes, customs duties, consular fees, other items chargeable against imported material and where applicable handling and transportation expenses from point of importation to warehouse or operating site, and its costs should not exceed those then currently prevailing in normal arms-length transactions on the open market.

(b) Materials purchased from Affiliated Companies of the Concessionaire shall be charged at the prices specified in (1) and (2) hereof.

(1) New material (condition "A") shall be valued at the current international price which should not exceed the price prevailing in normal arms-length transactions on the open market.

(2) Used material (conditions "B" and "C")

(i) material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classified as condition "B" and priced at seventy-five percent (75%) of the current price of new materials defined in (1) above.

(ii) material which cannot be classified as condition "B" but which:

(a) after reconditioning will be further serviceable for original function as good second-hand material condition "B", or

(b) is serviceable for original function but substantially not suitable for reconditioning,

shall be classified as condition "C" and priced at fifty percent (50%) of the current price of new material as defined in (1) above. The cost of reconditioning shall be charged to the reconditioned material provided that the condition "C" material value plus the cost of reconditioning does not exceed the value of condition "B" material.

(iii) material which cannot be classified as condition "B" or condition "C" shall be priced at a value commensurate with its use.

(iv) material involving erection costs shall be charged at the applicable percentage, in accordance to its condition, of the current dismantled price of new material as defined in (1) above.

(v) when the use of material is temporary and its service to the Petroleum Operations does not justify the reduction in price as provided for in (2)(ii) hereof, such material shall be priced on a basis that will result in a net charge to the accounts under the EPCC consistent with the value of the service rendered.

(f) Rentals, Duties and Other Assessments

All rentals, taxes, levies, charges, fees, contributions and any other assessments and charges levied by the Government, its political subdivisions, agencies and instrumentalities, to the extent that they have or may acquire the power to do so, in connection with the Petroleum Operations and paid directly or indirectly by the Concessionaire with the exception of the Corporate Income Tax imposed on the Concessionaire.

(g) Insurance and Losses

Insurance premia and costs incurred for insurance arranged in accordance with the EPCC provided that if such insurance is wholly or partly placed with an Affiliated Company of the Concessionaire, such premia and costs shall be recoverable only to the extent generally charged by competitive insurance companies other than an Affiliated Company of the Concessionaire. Costs and losses incurred as a consequence of events which are, and in so far as, not made good by insurance obtained under the EPCC are recoverable under the EPCC.

(h) Legal Expenses

All costs and expenses of litigation and legal or related services necessary or expedient for the procuring, perfecting, retention and protection of the EPCC Area, and in defending or prosecuting lawsuits involving the EPCC Area or any third party claim arising out of activities under the EPCC, or sums paid in respect of legal services necessary or expedient for the protection of joint interest of the Government and the Concessionaire are recoverable. Where legal services are rendered in such matters by salaried or regularly retained lawyers of the Concessionaire or an Affiliated Company of the Concessionaire, such compensation will be included instead under Subsection 3.1(b) or 3.1(d) above, as applicable.

(i) Training Costs

All costs and expenses incurred by the Concessionaire in training of its employees located in Mozambique and engaged in the Petroleum Operations pertaining to activities in the EPCC Area and such other training as required under the EPCC or applicable law.

(j) General and Administrative Expenses

The costs described in Subsection 2.5(a) and the charge described in Subsection 2.5(b).

(k) The costs of any guarantee required by the Government under the EPCC.

(l) Payments into the Decommissioning Fund and cost incurred for decommissioning according to applicable law and the EPCC.

3.2 Costs recoverable only with approval of the Government

Interest, fees and related charges incurred on commercial loans raised by the Concessionaire for the Petroleum Operations to the extent that such interest, fees and related charges are commensurate with interest, fees and related

charges normally paid on loans of such nature, approval in respect thereof not to be unreasonably withheld.

3.3 Costs not recoverable under the EPCC

- (a) Petroleum marketing or transportation costs of Petroleum beyond the Delivery Point.
- (b) Costs of arbitration and the independent expert under Article 30 of the EPCC.
- (c) Petroleum Production Tax and Corporate Income Tax
- (d) Fines and penalties imposed by any public authority in the Republic of Mozambique or elsewhere.

3.4 Recoverability and Deductibility

The determination of whether the costs and expenses set forth herein are recoverable or non-recoverable shall apply only to this EPCC, and shall not be interpreted to preclude the Concessionaire from deducting said amounts in computing its net income from the Petroleum Operations for Corporate Income Tax purposes under the applicable law.

3.5 Credit under the EPCC

The net proceeds of the following transactions will, subject to the applicable law, be credited to the accounts under the EPCC:

- (a) The net proceeds of any insurance or claim in connection with the Petroleum Operations or any assets charged to the accounts under the EPCC when such operations or assets were insured and the premia charged to the accounts under the EPCC.

- (b) Revenue received from outsiders for the use of property or assets charged to the accounts under the EPCC.
- (c) Any adjustment received by the Concessionaire from the suppliers/manufacturers or their agents in connection with defective material the cost of which was previously charged by the Concessionaire to the accounts under the EPCC.
- (d) Rentals, refunds or other credits received by the Concessionaire which apply to any charge which has been made to the accounts under the EPCC.
- (e) The amounts received for inventory materials under the EPCC and subsequently exported from the Republic of Mozambique without having been used in the Petroleum Operations.
- (f) Legal expenses charged to the accounts under Subsection 3.1(h) and subsequently recovered by the Concessionaire.

3.6 Duplication of Charges and Credits

Notwithstanding any provision to the contrary in this Accounting and Financial Procedure, it is the intention that there shall be no duplication of charges or credits in the accounts under the EPCC.

Section 4

Records and Valuation of Assets

The Concessionaire shall maintain detailed records of property in use for the Petroleum Operations in accordance with the applicable law and normal practice in exploration and production activities of the international petroleum industry. At reasonable intervals but at least once a year with respect to movable assets with an individual value equal to or greater than USD (..... US dollars) per unit and once every five (5) years with respect to immovable assets, inventories of the property under the EPCC shall be taken by the Concessionaire. The Concessionaire shall give the Government at least thirty (30) days written notice of its intention to take such inventory and the Government shall have the right to be represented when such inventory is taken. The Concessionaire will clearly state the principles upon which valuation of the inventory has been based. When an assignment of rights under the EPCC takes place a special inventory may be taken by the Concessionaire at the request of the assignee provided that the costs of such inventory are borne by the assignee.

Section 5
Production Statement

- 5.1** Subsequent to the commencement of Commercial Production from the EPCC Area, the Concessionaire shall submit a monthly production statement (hereinafter referred to as the “Production Statement”) to the Government showing the following information for each Development and Production Area:
- (a) The quantity of Crude Oil produced.
 - (b) The quantity of Natural Gas produced.
 - (c) The quantities of Petroleum used for the purposes of carrying on drilling and production operations and pumping to field storage.
 - (d) The quantities of Natural Gas flared.
 - (e) The size of Petroleum stocks held at the beginning of the month.
 - (f) The size of Petroleum stocks held at the end of the month.
 - (g) Any other relevant information as may be required under the applicable law.
- 5.2** The Production Statement of each calendar month shall be submitted to the Government no later than twenty (20) calendar days after the end of such calendar month.

Section 6

Value of Production and Petroleum Production Tax Statement

- 6.1** The Concessionaire shall prepare a statement covering the determination of the fair market value of Crude Oil and Natural Gas respectively, produced during each calendar month and the value of the Petroleum Production Tax payable to the Government. This statement shall contain the following information:
- (a) The quantities and prices realised therefore by the Concessionaire as a result of sales of Crude Oil and Natural Gas respectively to third parties made during the calendar month in question.
 - (b) The quantities and the prices realised therefore by the Concessionaire as a result of sales of Crude Oil and Natural Gas respectively made during the calendar month in question, other than to third parties.
 - (c) The quantity of stocks of Crude Oil and if applicable Natural Gas at the end of the preceding calendar month.
 - (d) The quantity of stocks of Crude Oil and if applicable Natural Gas at the end of the calendar month in question.
 - (e) The total Petroleum Production Tax liability for Crude Oil and Natural Gas respectively for the calendar month.
 - (f) Published information available to the Concessionaire, when requested by the Government, concerning the prices of Crude Oil or Natural Gas produced by the main petroleum producing and exporting countries including contract prices, discounts and premia, and prices obtained on the spot markets.
- 6.2** The Value of Production and Petroleum Production Tax Statement of each calendar month shall be submitted to the Government not later than thirty (30) calendar days after the end of such calendar month.

Section 7
Cost Recovery Statement

7.1 The Concessionaire shall prepare with respect to each calendar quarter a cost recovery statement (hereinafter referred to as the “Cost Recovery Statement”) containing the following information:

- (a) Recoverable costs carried forward from the previous quarter, if any.
- (b) Recoverable costs for the quarter in question.
- (c) Total recoverable costs for the quarter in question [Subsection 7.1(a) plus Subsection 7.1(b)].
- (d) Quantity and value of Cost Petroleum taken proportionally in Crude Oil and Natural Gas and disposed of by the Concessionaire for the quarter in question.
- (e) EPCC costs recovered for the quarter in question.
- (f) Total cumulative amount of EPCC costs recovered up to the end of the quarter in question.
- (g) Amount of recoverable EPCC costs to be carried forward into the next quarter.

7.2 The Cost Recovery Statement of each quarter shall be submitted to the Government no later than sixty (60) calendar days after the end of such quarter.

Section 8
Statement of Expenditure and Receipts

- 8.1** The Concessionaire shall prepare with respect to each calendar quarter a statement of expenditures and receipts under the EPCC (hereinafter referred to as the “Statement of Expenditure and Receipts”). The statement will distinguish between Exploration Costs, Development and Production Capital Expenditures and Operating Costs and decommissioning costs including amounts drawn from the Decommissioning Fund and will identify major items of expenditures within these categories. The statement will show the following:
- (a) Actual expenditures and receipts for the quarter in question.
 - (b) Cumulative expenditure and receipts for the budget year in question.
 - (c) Latest forecast cumulative expenditures at the year end.
 - (d) Variations between budget forecast and latest forecast and explanations thereof.
- 8.2** The Statement of Expenditure and Receipts of each calendar quarter shall be submitted to the Government no later than thirty (30) calendar days after the end of such quarter.

Section 9
Final End-of-Year Statement

The Concessionaire will prepare a Final End-of-Year Statement. The statement will contain information as provided in the Production Statement, Value of Production and Petroleum Production Tax Statement, Cost Recovery Statement and Statement of Expenditures and Receipts but will be based on actual quantities of Petroleum produced and expenses incurred. Based upon this statement, any adjustments that are necessary will be made to the payments made by the Concessionaire under the EPCC. The Final End-of-Year Statement of each calendar year shall be submitted to the Government within ninety (90) calendar days of the end of such calendar year.

Section 10

Budget Statement

- 10.1** The Concessionaire shall prepare an annual budget statement (hereinafter referred to as the “Budget Statement”). This will distinguish between Exploration Costs, Development and Production Capital Expenditures and Operating Costs and will show the following:
- (a) Forecast expenditures and receipts for the budget year under the EPCC.
 - (b) Forecast cumulative expenditures and receipts to the end of the said budget year.
 - (c) A schedule showing the most important individual items of forecast Development and Production Capital Expenditures for the said budget year.
- 10.2** The Budget Statement shall be submitted to the Government with respect to each budget year no less than ninety (90) calendar days before the start of the year except in the case of the first year of the EPCC when the Budget Statement shall be submitted within sixty (60) calendar days of the Effective Date.
- 10.3** It is recognised by the Concessionaire and the Government that the details of the Budget Statement may require changes in the light of existing circumstances and nothing herein contained shall limit the flexibility to make such changes. Consistent with the foregoing, the revision of said Statement is provided for annually.

Section 11

Long Range Plan and Forecast

The Concessionaire shall prepare and submit to the Government either one or both of the following two (2) long range plans, whichever is appropriate:

11.1 Exploration Plan

During the Exploration Period, the Concessionaire shall prepare an Exploration Plan for each period of the current year and next calendar year commencing as of the first day of January following the Effective Date (hereinafter referred to as the "Exploration Plan") which shall contain the following information:

- (a) Estimated Exploration Costs showing outlays for each of the calendar years covered by the Exploration Plan.
- (b) Details of seismic operations planned for each such year.
- (c) Details of all drilling activities planned for each such year.
- (d) Details of infrastructure utilisation and requirements.

The first such Exploration Plan shall also include the above information for the period starting on the Effective Date and ending on the last day of December of that calendar year.

The Exploration Plan shall be revised at the beginning of each calendar year following of the Effective Date. The Concessionaire shall prepare and submit to the Government the first Exploration Plan within sixty (60) calendar days of the Effective Date and thereafter shall prepare and submit to the Government no less than ninety (90) calendar days before the end of each calendar year following the Effective Date a revised Exploration Plan.

11.2 Development Forecast

The Concessionaire shall prepare a development forecast for each period of five (5) calendar years (hereinafter referred to as the “Development Forecast”) commencing as of the first day of January following the date when the first Development Plan is approved and the Concessionaire commences the implementation of such plan.

The Development Forecast shall contain the following information:

- (a) Forecast of Development and Production Capital Expenditures for each of the five (5) calendar years.
- (b) Forecast of Operating Costs for each such calendar year.
- (c) Forecast of Petroleum production for each such calendar year.
- (d) Forecast of number and types of personnel employed in the Petroleum Operations in the Republic of Mozambique.
- (e) Description of proposed Petroleum marketing arrangements.
- (f) Description of main technologies employed.
- (g) Description of working relationship of the Concessionaire to the Government.

The Development Forecast shall be revised at the beginning of each calendar year commencing as of the second year of the first Development Forecast. The Concessionaire shall prepare and submit to the Government the first Development Forecast within one hundred and twenty (120) calendar days of the date when the first Development Plan is approved and the Concessionaire commences the implementation of such plan and thereafter shall prepare and submit a revised Development Forecast to the Government no later than forty-five (45) calendar days before each calendar year commencing as of the second year of the first Development Forecast.

11.3 Changes to the Plan and Forecast

It is recognised by the Concessionaire and the Government that the details of the Exploration Plan and Development Forecast may require changes in the light of existing circumstances and nothing herein contained shall limit the flexibility to make such changes. Consistent with the foregoing the revision of said Plan and Forecast is provided for annually.

Section 12

Revision of Accounting and Financial Procedures

The provisions of this Accounting and Financial Procedure may be amended only in accordance with the EPCC. Any such amendments shall be made in writing and shall state the date upon which the amendments shall become effective.

Section 13
Conflict with the EPCC

In the event of any conflict between the provisions of this Accounting and Financial Procedure and the EPCC, the provisions of the EPCC shall prevail.