GANOPE

RED SEA INTERNATIONAL BID ROUND 2025
MAIN COMMERCIAL TERMS

All bidding parties ("Bidder(s)") must bid on those terms highlighted and listed below as subject to competitive bidding.

1. TYPE OF CONTRACT

The Production Sharing Agreement (PSA) model is applied, using the R factor mechanism to determine Oil and Gas profit share. The successful bidder will be referred to as the "Contractor" in the PSA and shall undertake all risks and financial obligations to explore and develop both crude oil and /or gas under this PSA.

2. PARTIES to the PSA

The parties to this PSA will be i) the Government of Arab Republic of Egypt ("A.R.E."), ii) South Valley Egyptian Petroleum Holding Company (**GANOPE**) and iii) the Contractor.

3. ROYALTY & INCOME TAX

a. **GANOPE** shall bear and pay out of its share the royalty due the A.R.E. under the PSA on behalf of Contractor.

b. **GANOPE** shall assume, pay and discharge, in the name and on behalf of CONTRACTOR, CONTRACTOR's Egyptian income tax out of **GANOPE's** share.

c. In case Contractor elects to dispose all or part of its Gas production share and excess cost recovery share if any, by itself to local market, contractor shall notify **GANOPE** of the Gas price, Quantities and Gas buyer. The effective law No. 196 of 2017 and its amendments Regulating Gas Market Activities in A.R.E. shall be applied on Contractor.

4. CONTRACT PHASES

a. Exploration Phase:

Bidders must specify the duration of the Exploration Period in their offer, (shorter exploration period is preferable) and subdivided into three periods (With maximum total exploration duration of nine (9) years) and there are two possible scenarios for the exploration duration, as detailed below:

First scenario			Second scenario		
First Exploration Period	Second Exploration Period	Third Exploration Period	First Exploration Period	Second Exploration Period	Third Exploration Period
2 (two) years	3.5 (Three years and half)	3.5 (Three years and half)	3.5 (Three years and half)	3 (Three years)	2.5 (Two years and half)

The Contractor will have the option to relinquish at any period provided that CONTRACTOR has fulfilled commitment of such phase.

(**Subject to competitive bidding**)

b. Development Phase:

The duration of any Oil or Gas Development Lease shall be (20) years from the date such Development Lease is approved by the Minister of Petroleum and Mineral Resources. A Development Lease may be extended up to two extensions (5 years each) upon Contractor's advance written request to **GANOPE** for such extension. This request must include a complementary Development or Production Plan (as the operation may require). All requests for extensions are subject to prior approval by **GANOPE** and the Minister of Petroleum and Mineral Resources.

5. MINIMUM WORK AND FINANCIAL OBLIGATION

a. For each Exploration Period, the Bidder shall bid its minimum technical exploration program in sufficient detail (including for instance, the number of wells, seismic, etc.) and its expected relevant minimum financial commitments.

(**Subject to competitive bidding.**)

The offers should contain the following minimum requirements during the Exploration period(s):

Blocks	scenario	First scenario			Second scenario		
	Exploration period	**First**	**Second**	**Third**	**First**	**Second**	**Third**
	Duration (years)	2 (two) years	3.5 (Three years and half)	3.5 Three years and half)	3.5 Three years and half)	3 (Three years)	2.5 Two years and half)
Block -1	Technical Commitments	Minimum 1000 km^2 3D Seismic Acquisition	Seismic Reprocessing + Drill one well	Drill one well	Seismic Reprocessing + Drill one well	Minimum 1000 km^2 3D Seismic Acquisition	Drill one well
Block-2		3D Seismic Acquisition with high resolution	Drill one well	Drill one well	Seismic Reprocessing + Drill one well	3D Seismic Acquisition with high resolution + drill one well	Drill one well
Block -3		Minimum 1000 km^2 3D Seismic Acquisition	Seismic Reprocessing + Drill one well	Drill one well	Seismic Reprocessing + Drill one well	Minimum 1000 km^2 3D Seismic Acquisition	Drill one well
Block -4		Minimum 1000 km^2 3D Seismic Acquisition	Seismic Reprocessing + Drill one well	Drill one well	Minimum 1000 km^2 3D Seismic Acquisition+ Drill one well	Seismic Reprocessing + Drill one well	Drill one well

b. Any exploration and financial obligation in excess of the minimum obligations during any period(s) shall be carried forward to the subsequent period and offset against the minimum technical and financial commitment for such period.

c. A Letter of Guarantee for the minimum financial commitment of the first Exploration Period must be submitted to **GANOPE** at least one day before final signature of the PSA. Where Contractor elects to enter a subsequent Exploration period(s) a Similar Letter(s) of Guarantee will be required. The Contractor has the right to submit **a bank / production guarantee or a letter entitles GANOPE/ EGPC/ EGAS to solidify from the Contractor(s) dues** an amount equal to the financial commitment of the current period under the subject PSA agreement.

6 . RELINQUISHMENT

a. The Contractor shall relinquish a minimum of -----% (not less than 25%) of the original Exploration Area at the end of the First and Second Exploration Period(s). Relinquishments may be as single discrete contiguous blocks or configured units as approved by **GANOPE**. At the end of the Third Exploration Period, the Contractor shall relinquish all of the remaining Exploration Area that has not previously been converted to a Development Lease.

(Subject to competitive bidding.)

b. Subject to the approval of the Minister of Petroleum and Mineral Resources, Contractor may retain the area supposed to be relinquished per the terms of the PSA by submitting a written pre-notification request to **GANOPE** at least six (6) months prior to the required relinquishment date. Such request by Contractor must include i) **the additional technical activities that Contractor agrees to undertake,** ii) **a statement or breakdown of the costs and expenses for such additional activities**, and iii) **a Letter of Guarantee with a stated amount equal to the costs for such additional activities**. The Contractor shall pay a non-recoverable bonus.

c. At the time of relinquishment of all or any part of the Concession area, Contractor shall ensure that all environmental regulations set out in Article XVIII have been followed in accordance with sound and accepted petroleum industry practice, if so, requested by **GANOPE**.

7. COST RECOVERY

a. Bidder to provide the percentage (---- %) of total production it will require for Cost Recovery up to but **not to exceed 40%** **(Subject to competitive bidding**).

b. Bidder to provide amortization schedule for its exploration and development expenditures, **but not less than 4 years.** **(Subject to competitive bidding)**.

c. GANOPE's PSA provides Cost Recovery for 100% of PSA operating expenses.

d. Exploration and Development expenditures incurred and paid by Contractor during the last (------) years of any Development Lease(s) shall be cost recovered over the remaining period of the Development Lease(s). **(Subject to competitive bidding)**.

e. Any investments or costs for implementing the projects aimed at reducing hydrocarbon emissions shall be excluded from item (b) and shall be recoverable at the rate of ---------- percent (----%). **(Subject to competitive bidding).**

f. In respect of any **Excess Cost Recovery** ("ECR") Bidder to state the percentage each of **Contractor** and **GANOPE** should be allocated, **(Subject to competitive bidding)**.

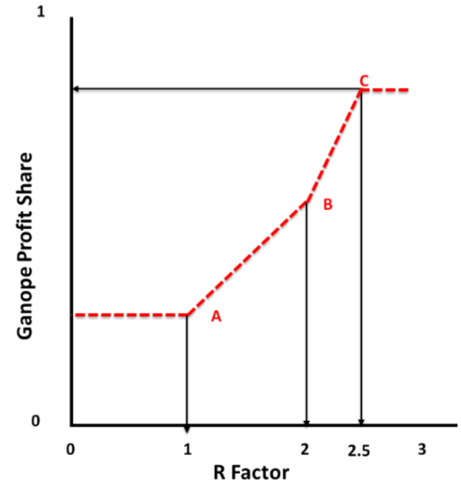
8. PRODUCTION SHARING

After deducting Cost Recovery (percentage), The remaining ----- ------- percent (---%) of all the Crude Oil produced and saved under this Agreement and not used in Petroleum operations shall be divided between GANOPE and CONTRACTOR according to the value of the "R" factor as indicated in the table below the "R Factor" shall be calculated as follows:

$$\textbf{R factor} = \frac{\textbf{Cumulative Revenue}}{\textbf{Cumulative Expenditures}}$$

The diagram showing the relationship between GANOPE Petroleum profit share and R factor which mentioned above, where:
The bidders shall submit the following percentage

(A): is GANOPE Petroleum Profit share equals (.........) @ R factor = 1
(B): is GANOPE Petroleum Profit share equals (.........) @ R factor = 2
(c): is GANOPE Petroleum Profit share equals (.........) @ R factor = 2.5



(i) GANOPE' Share of Crude Oil and Condensate

The calculation of the percentage of crude oil and condensate production sharing between GANOPE and CONTRACTOR in calendar Quarter according to below table

R Factor	GANOPE's Share	Contractor Share 100% - GANOPE's share
R ≤ 1	= A	....
1 < R < 2	.... According to linear equation	....
2 ≤ R < 2.5	.... According to linear equation	....
R ≥ 2.5	= C	....

(ii) GANOPE' Share of Gas & LPG:

The calculation of the percentage for Gas and LPG production sharing between GANOPE and CONTRACTOR in calendar Quarter according to below table

R Factor	GANOPE Share	Contractor Share 100% - GANOPE's share
R ≤ 1	= A	....
1 < R < 2	.... According to linear equation	....
2 ≤ R < 2.5	.... According to linear equation	....
R ≥ 2.5	= C	....

9. BONUSES

a. **Signature Bonus**: The Bidder shall propose in its bid the amount it is prepared to pay as a Signature Bonus and should be ……..US$. The Signature Bonus is due before signing the PSA. **(Subject to competitive bidding)**.

b. **Development Lease Bonus**: The Bidder shall propose in its bid an amount for being granted a Development Lease. The amount proposed shall be US$ 60,000 for each Development Block (1'x1') or part of a block and due and payable on the date each Development Lease is approved.

c. **Production Bonus**: The Bidder shall propose in its bid an amount as a Production Bonus when cumulative production from the area reaches: **(Subject to competitive bidding)**

		MMUS$
1,000,000	BO or its equivalent	-------------
2,000,000	BO or its equivalent	-------------
4,000,000	BO or its equivalent	-------------
6,000,000	BO or its equivalent	-------------
8,000,000	BO or its equivalent	-------------
10,000,000	BO or its equivalent	-------------

d. **Development Lease Extension Bonus**: The Bidder shall propose the amount of the Extension Bonus of each of the two five-year extensions in its bid. Such proposal shall be……. US$ (for each five-year extension) and shall be due upon the date Contractor's request for each Five-Year Extension is approved by **GANOPE** and the Minister of Petroleum and Mineral Resources. **(Subject to competitive bidding)**

e. **Bonus for retaining a relinquished area:** Due upon approval date. **(Subject to Competitive bidding)**

f. **Training Bonus:** Training budget shall be: US$ 50,000 for **GANOPE** Agreements, Exploration, Production and Financial Control foreign & joint venture companies departments plus US$ 50,000 for other **GANOPE** staff training in every financial year during any of the exploration / development periods.

g. **Assignment Bonus**: Under the PSA the Contractor is obligated to pay to **GANOPE** an Assignment Bonus equal to 10% of the transaction value of each and any deal or assignment (i.e., sale, transfer, exchange, etc.) made by Contractor or Contractor Member with any third-party, excepting, however, an assignment to an affiliated company of the same Contractor or Contractor Member. Such Assignment Bonus shall be due and payable on the date the Minister of Petroleum and Mineral resources approves the assignment to a third party. In case of an assignment to an affiliated company of the Contractor or Contractor Member Contractor shall pay to **GANOPE** the sum of US$ 200,000 on the date each assignment deal is approved by the Minister of Petroleum and Mineral resources.

h. **All Bonuses amounts must be stated in USD and are not cost recoverable.**

10. CUSTOMS EXEMPTIONS

All imported machinery and equipment required for PSA operations shall be exempt from Egyptian customs duties.

11. ASSIGNMENTS

Without the written consent of the Government Neither **GANOPE** nor Contractor may assign to a person, firm or corporation, in whole or in part, any of its rights, privileges, duties or obligations under this Agreement either directly or indirectly indirect assignment shall mean, for example but not limited to, any sale, purchase, transfer of stocks, capital or assets or any other action that would change the control of the Contractor/ Contractor Member on its share in the company's capital or any transactions resulting in a merge or acquisition for the companies or entities owning directly or indirectly the Contractor/ Contractor Member relevant to this Concession agreement as long as the Contractor's/Contractor Member's rights in the concession agreement has a financial impact contributes and reflects in the value of the merge or acquisition transaction , and in all cases priority shall be given to **GANOPE**, if it so desire, to obtain such interest intended to be assigned (except assignment to an Affiliated Company of the same Contractor Member).

12. VALUATION OF GAS

The Cost Recovery, Production Sharing and Excess Cost Recovery, if any, Gas Price for local market will be agreed upon between CONTRACTOR and **GANOPE** or EGPC or EGAS after the Commercial Discovery and before converting an area to a Development Lease(s). Production Sharing Gas Price for export will be valued at Netback Price.

13. MANAGEMENT OF OPERATIONS

a. During the Exploration Period(s), an Exploration Advisory Committee consisting of an equal number of representatives from Contractor and **GANOPE** shall be formed to discuss and recommend annual work programs and budgets to **GANOPE** for approval.

b. Upon the agreement that a commercial discovery has been made, **GANOPE** and Contractor shall meet and agree on the organization of an entity (i.e., joint venture operating company) that will be formed by both parties to conduct development and production operations taking into consideration the economics of the discovery. The organization of such entity must be approved by the Minister of Petroleum and Mineral Resources.

14. EMPLOYMENT & TRAINING

Contractor shall give preference to the employment of qualified Egyptian Nationals and shall undertake appropriate training programs. Minimum training budget shall be the sum of US$ 100,000 in every financial year during Exploration and Development periods

15. APPLICABLE LAW AND ARBITRATION

a. The subject PSA shall be governed by the laws and regulations of the A.R.E., including, without limitation, the enforcement thereof.

b. Disputes between **GANOPE** and Contractor or Contractor Member that are not settled amicably shall be submitted to and settled through arbitration under the Arbitration Rules of the Cairo Regional Center for International Commercial Arbitration.

c. Disputes, claims and controversies between or among **GANOPE**, Contractor, or Contractor Member (individually or collectively) and the A.R.E. shall be submitted to the jurisdiction of the appropriate courts of A.R.E. to settle any dispute arising on the interpretation or the execution of any term of this Agreement.

16. GENERAL PROVISIONS AND PROCEDURES:

a. Bidders, whether an individual petroleum exploration company or group of companies, are free to submit their offers for each block or part of a block (i.e., to submit separate bids for each block).

b. Bid(s) of any party or consortium will not be considered and will be disregarded if:

   i. Conditioned or connected to any other concession agreement in Egypt that the Bidder(s) may have an interest in or operate.
   ii. Includes any area(s) out of 2025 Red Sea Bid Round blocks.
   iii. Includes more than one offered block in a single offer.
   iv. Is missing any documents mentioned in the Procedures.

c. GANOPE shall liquidate without any legal procedure the US$ 100,000 letter of guarantee or cheque for the successful bidders, in case the successful bidder withdrew after the announcement of the bid results, or failed to increase it up to the amount of US$ 2 MM, and shall liquidate the US$ 2 MM letter of guarantee in case the company withdrew or failed to deliver GANOPE the necessary documents required before the final signature as determined by GANOPE.

d. All Bidders shall indicate in their respective bids their acceptance of the **GANOPE** Model PSA.

e. The draft of the PSA that is ultimately agreed by the parties will be reviewed by the Egyptian State Council and any comments raised by the State Council must be considered and may be required to apply.

f. All Bidders submitting bids for any block(s) will be required to submit EUG membership documents and purchase the data package(s) for such block(s) from Egypt Upstream Gateway "EUG", and the contractor shall undertake to purchase multi-Client data which executed before the effective date, from any third party entered into a contract with GANOPE for licensing collecting and exploitation the data with charge subject to written approval from GANOPE.

g. Technical, financial competence and global ranking of the company in the field of exploration, development and production …. Etc. will be considered in the evaluation of bids.

h. All bids must be unconditional.

i. Upon execution of the PSA by **GANOPE** and the Contractor (i.e., the successful Bidder) the PSA will be issued as a law which authorizes the Minister of Petroleum and Mineral Resources to execute the PSA. The effective date of the PSA will be the date the Minister of Petroleum and Mineral Resources executes the PSA.

j. Expenditures that are incurred or made by the Bidder in respect of the entirety of the bidding process prior to the effective date of the PSA are not subject to any form of cost recovery or reimbursement.

k. The decision to accept the bid of any particular Bidder shall be within the sole discretion and right of **GANOPE** (and any other applicable Egyptian competent authority) and neither **GANOPE** nor any other Egyptian competent authority shall be under any obligation to provide any reasons for its decision (whether to accept or reject any bid) to any party and no Bidder shall have any recourse against **GANOPE** (or any Egyptian competent authority) for such decision.

17. FOR FURTHER INFORMATION

Geoph. / vice chairman for Exploration and Agreements:

* Tel.: (202) 29610168
* Fax: (202) 26910184
* E-mail: mradwan@ganope.net
