THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities before taking any action. The whole text of this document should be read. Investment in the Company is speculative and involves a high degree of risk.

This document constitutes an admission document drawn up in accordance with the AIM Rules for Companies, and has been issued in connection with an application for admission to trading on AIM of the entire issued and to be issued share capital of Advance Energy plc. This document does not constitute an offer or any part of any offer of transferable securities to the public within the meaning of section 102B of FSMA or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the UK Prospectus Regulation or approved or filed with the FCA. If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

The Company, the Existing Directors and the Proposed Directors whose names appear on page 9 of this document, each accept responsibility for the information contained in this document including collective and individual responsibility for the Company's compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Existing Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Company and the Directors are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is emphasised that no application has been made or is being made for admission of the Enlarged Share Capital to the Official List of the FCA. The Ordinary Shares are not traded on any recognised investment exchange and no application has been or is intended to be made for the Enlarged Share Capital to be admitted to trading on any such market. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 19 April 2021. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the FCA. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The attention of prospective investors is particularly drawn to the section entitled "Risk Factors" set out in Part II of this document and all statements regarding the Company's business should be viewed in light of these risk factors.

Advance Energy plc

ADVANCEENERGY

(Incorporated and registered in the Isle of Man under Company Number 010493V)

Proposed acquisition of a 50 per cent. indirect interest in the Buffalo PSC

Placing of 840,100,000 Placing Shares at 2.6 pence per share to raise £21,842,600

Proposed 1 for 10 Capital Consolidation Proposed Adoption of Amended Articles

Admission of the Enlarged Share Capital to trading on AIM

and

Notice of Extraordinary General Meeting

STRAND HANSON

Financial and Nominated Adviser

Strand Hanson Limited

Tennyson

Joint Broker

Tennyson Securities

OPTIVA SECURITIES
THE GLOBAL INVESTOR

Joint Broker

Optiva Securities Limited

IMPORTANT NOTICE

General

Investors should take independent advice and should carefully consider the section of this document headed "Risk Factors" before making any decision to purchase Ordinary Shares.

Investment in the Ordinary Shares will involve significant risks due to gearing and the inherent illiquidity of the underlying investments and should be viewed as a long-term investment. The Ordinary Shares may not be suitable for all recipients or be appropriate for their personal circumstances. You should carefully consider in the light of your financial resources whether investing in the Company is suitable for you. An investment in the Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise (which may be equal to the whole amount invested.

The Placing Shares will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions deemed, made or paid after the issue of the Placing Shares.

Strand Hanson Limited ("**Strand**") is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the FCA. Strand is acting as the Company's nominated adviser for the purposes of the AIM Rules in connection with the Placing and Admission and, as such, its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person or entity in respect of his reliance on any part of this document. Strand is acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Strand nor for providing advice in relation to the contents of this document or any matter referred to herein. No representation or warranty, express or implied is made by Strand for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

Tennyson Securities (the trading name of Shard Capital Partners LLP) ("**Tennyson Securities**") is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the FCA. Tennyson Securities is acting as the Company's joint broker for the purposes of the AIM Rules in connection with the Placing and Admission. Tennyson Securities is acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Tennyson Securities nor for providing advice in relation to the contents of this document or any matter referred to herein. Apart from the responsibilities and liabilities, if any, which may be imposted on Tennyson Securities by FSMA or the regulatory regime established under it. No representation or warranty, express or implied is made by Tennyson Securities for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

Optiva Securities Limited ("**Optiva Securities**") is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the FCA. Optiva Securities is acting as the Company's joint broker for the purposes of the AIM Rules in connection with the Placing and Admission. Optiva Securities is acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Optiva Securities nor for providing advice in relation to the contents of this document or any matter referred to herein. Apart from the responsibilities and liabilities, if any, which may be imposted on Optiva Securities by FSMA or the regulatory regime established under it. No representation or warranty, express or implied is made by Optiva Securities for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

The whole of this document should be read. Your attention is drawn, in particular, to Part I: "Letter from the Non-Executive Chairman of Advance Energy plc" and Part II: "Risk Factors" for a more complete discussion of the factors that could affect the Company's future performance and the industry in which it will operate. This document is being sent to all Shareholders for information purposes only to enable them to exercise their rights as Shareholders in connection with the Extraordinary General Meeting.

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors, Strand Hanson, Optiva Securities or Tennyson Securities. Without prejudice to the Company's obligations under the AIM Rules, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this document or that the information contained in this document is correct as of any time subsequent to the date of this document. None of the Strand Hanson, Optiva Securities or Tennyson Securities have authorised the contents of this document and, without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Strand Hanson, Optiva Securities or Tennyson Securities as to the contents of this document and no responsibility or liability whatsoever is accepted by Strand Hanson, Optiva Securities or Tennyson Securities for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document, for which the Company and the Directors are solely responsible.

The contents of this document are not to be construed as legal, financial or tax advice. Each prospective investor should consult a legal adviser, an independent financial adviser duly authorised under FSMA or a tax adviser for legal, financial or tax advice in relation to any investment in or holding of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Notice to prospective investors in the United Kingdom

This document is being distributed in the United Kingdom where it is directed only at persons who are "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation and regulations made under that Act, and who are (i) persons having professional experience in matters relating to investments, i.e., investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FPO**"); or (ii) high net-worth companies, unincorporated associations and other bodies within the meaning of Article 49 of the FPO and at persons to whom it is otherwise lawful to distribute it without any obligation to issue a prospectus approved by competent regulators. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event, and under no circumstances, should persons of any other description rely on or act upon the contents of this document.

Notice to overseas persons

This document does not constitute an offer to sell or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any such distribution could result in a violation of the laws of such jurisdictions. In particular, this document is not for distribution in or into the United States, Canada, the Republic of South Africa, Australia or Japan. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act") or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of any province or territory of Canada or under the securities laws of the Republic of South Africa, Australia, New Zealand or Japan or in any country, territory or possession where to do so may contravene local securities law or regulations. Accordingly, subject to certain exemptions, the Ordinary Shares may not be offered or sold directly or indirectly in or into the United States, Canada, the Republic of South Africa, New Zealand Australia or Japan (each a "Restricted Jurisdiction") or to any national, resident or citizen of a Restricted Jurisdiction. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in a Restricted Jurisdiction and is not for distribution in, into or from a Restricted Jurisdiction. The Ordinary Shares have not been approved or disapproved by the US

Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Placing Shares nor have they approved this document or confirmed the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the US.

Copies

Copies of this document will be available free of charge during normal business hours on any day from the offices of Tennyson Securities, 65 Petty France, London, SW1H 9EU.

Rounding

Certain data in this document, including financial, statistical and operational information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data. Percentages in tables have been rounded and, accordingly, may not add up to 100 per cent.

Presentation of market, economic and industry data

This document contains information regarding the Company's business and the industry in which it operates and competes, which the Company has obtained from various third party sources. Where information contained in this document originates from a third party source, it is identified where it appears in this document together with the name of its source. Such third party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Data protection

The information that a prospective investor provides in documents in relation to a purchase of Ordinary Shares or subsequently by whatever means which relates to the prospective investor (if it is an individual) or a third party individual ("**personal data**") will be held and processed by the Company (and any third party to whom it may delegate certain administrative functions in relation to the Company) in compliance with the relevant data protection legislation and regulatory requirements of the United Kingdom. Such information will be held and processed by the Company (or any third party, functionary or agent appointed by the Company) for the following purposes:

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- contacting the prospective investor with information about products and services, or its affiliates, which may be of interest to the prospective investor;
- carrying out the business of the Company and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Company in England and Wales and elsewhere (as required); and
- disclosing personal data to other functionaries of, or advisers to, the Company to operate and/ or administer the Company's business.

Where appropriate it may be necessary for the Company (or any third party, functionary or agent appointed by the Company) to:

- disclose personal data to third party service providers, agents or functionaries appointed by the Company to provide services to prospective investors; and
- transfer personal data outside of the UK to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors as the United Kingdom.

If the Company (or any third party, functionary or agent appointed by a member of the Company) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it

will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data are disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

In providing such personal data, investors will be deemed to have agreed to the processing of such personal data in the manner described above. Prospective investors are responsible for informing any third-party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions.

No incorporation of website information

Other than in respect of financial information, the contents of the Company's website or any hyperlinks accessible from the Company's website do not form part of this document and prospective investors should not rely on them.

Forward looking statements

All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include any of the words "targets", "believes", "expects", "estimates", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements. Such forward looking statements involve known or unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance, achievements of or dividends paid by, the Company to be materially different from future results, performance or achievements, or dividend payments expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as of the date of this document. In addition, even if the Company's actual results, performance, achievements of or dividends paid are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reject any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

CONTENTS

KEY INFORMATION

EXPECTED TIMETABLE OF EVENTS

Publication of this document	31 March 2021
Latest time and date for receipt of Forms of Proxy	9.00 a.m. (London time) on 14 April 2021
Extraordinary General Meeting	9.00 a.m. (London time) on 16 April 2021
Record time and date for the Capital Consolidation	close of business (London time) on 16 April 2021
Admission and commencement of dealings in the Enlarged Share Capital on AIM	8.00 a.m. (London time) on 19 April 2021
Settlement of Placing Shares in uncertificated form through CREST	19 April 2021
Completion of the Acquisition	19 April 2021
Despatch of definitive share certificates in respect of the Placing Shares in certificated form to Placees by no later than	30 April 2021

Note: Each of the times and dates set out above and mentioned elsewhere in the document may be subject to change at the absolute discretion of the Company and Strand Hanson without further notice. All references are to London time unless otherwise stated. Temporary documents of title will not be issued.

PLACING AND ADMISSION STATISTICS

Number of Existing Ordinary Shares in issue at the date of this document	1,718,416,985
Placing Price	2.6p
Capital Consolidation Ratio	10:1
Number of Existing New Ordinary Shares (following the Capital Consolidation)	171,841,698[(1)(2)]
Number of Placing Shares*	840,100,000
Number of Accrued Director Fee Shares*	15,672,310
Enlarged Share Capital – number of New Ordinary Shares in issue on Admission[1]	1,027,614,008[(1)(2)]
Placing Shares as a percentage of the Enlarged Share Capital on Admission	81.75 per cent.
Options outstanding as a percentage of the Enlarged Share Capital on Admission	9.77 per cent.
Warrants outstanding as a percentage of the Enlarged Share Capital on Admission	5.97 per cent.
Market capitalisation following Admission at the Placing Price	£26,717,964
Gross proceeds of the Placing	£21,842,600
Estimated net proceeds of the Placing	£20,008,873
Ticker	ADV
ISIN of the Existing Ordinary Shares	IM00BZ7PNY71
SEDOL of the Existing Ordinary Shares	BZ7PNY7
ISIN of the New Ordinary Shares	IM00BKSCP798
SEDOL of the New Ordinary Shares	BKSCP798
Legal Entity Identifier	213800TZWOYUFZ5V63

(1) This figure assumes that no Options or Warrants that are outstanding as at the date of this document are exercised between the date of this document and Admission.

(2) The number of Existing New Ordinary Shares, and consequently the Enlarged Share Capital, may be reduced due to the fractional entitlements resulting from the Capital Consolidation. The final number of New Ordinary Shares in issue on Admission will be confirmed on the morning of Admission via a Regulated Information Service announcement.

* the number of shares is stated following implementation of the Capital Consolidation.

EXCHANGE RATES

For reference purposes only, the following exchange rates have been used in this document:

£1:US$1.375

£1:AU$0.766

All amounts referred to in Parts I, II and VII of this document expressed in the above currencies have, unless otherwise stated, been calculated using the above exchange rates.

DIRECTORS, SECRETARY AND ADVISERS

Existing Directors	Mark Rollins *(Non-Executive Chairman)* Leslie Peterkin *(Chief Executive Officer)* Stephen West *(Chief Financial Officer)* Ross Warner *(Non-Executive Director)*
Proposed Directors	Larry Bottomley *(Proposed Non-Executive Director)* Stephen Whyte *(Proposed Non-Executive Director)*
Company Secretary	Grainne Devlin FIM Capital 55 Athol Street Douglas Isle of Man IM1 1LA
Registered Agent	FIM Capital 55 Athol Street Douglas Isle of Man IM1 1LA
Registered Office	55 Athol Street Douglas Isle of Man IM1 1LA
Principal place of business	Isle of Man
Financial and Nominated Adviser	Strand Hanson Limited 26 Mount Row Mayfair London W1K 3SQ United Kingdom
Joint Broker(s)	Tennyson Securities (trading name of Share Capital Partners LLP) 65 Petty France London SW1H 9EU United Kingdom Optiva Securities Limited 49 Berkeley Square Mayfair London W1J 5AZ United Kingdom
Auditors and Reporting Accountants	Lubbock Fine LLP 65 St Paul's Churchyard London EC4M 8AB United Kingdom

Solicitors to the Company (as to English law)	Watson Farley & Williams LLP 15 Appold Street London EC2A 2HB United Kingdom
Solicitors to the Company (as to Isle of Man law)	DQ Advocates Limited The Chambers 5 Mount Pleasant Douglas IM1 2PU Isle of Man
Solicitors to the Company (as to Timor-Leste law)	CRA Timor-Leste Avenida Mártires da Pátria n.º 10 Edifício Hotel Timor Díli Timor-Leste
Solicitors to the Company (as to Australian law)	PWC Australia Brookfield Place 125 St Georges Terrace Perth WA 6000 Australia
Solicitors to the Nominated Adviser and Joint Broker(s)	Memery Crystal LLP 165 Fleet Street London EC4A 2DY United Kingdom
Registrars	Computershare Investor Services (Jersey) Limited 13 Castle Street St Helier Jersey JE1 1ES
Competent Person	RISC Advisory Level 2,1138 Hay Street West Perth WA 6872 Australia
Company website	www.advanceplc.com

"**Accrued Director Fee Shares**"	the, in aggregate, 15,672,310 New Ordinary Shares to be issued to certain Directors on Admission in lieu of accrued directors' fees, of which 5,804,320 New Ordinary Shares are to be issued to Mark Rollins, 5,804,320 New Ordinary Shares are to be issued to Leslie Peterkin and 4,063,670 are to be issued to Stephen West;
"**Accrued Fee Warrants**"	the 3,851,159 warrants over New Ordinary Shares, which vest immediately and are exercisable at nil cost for a period of 5 years to be issued on Admission to John Battrick;
"**Act**"	the Isle of Man Companies Act 2006, as amended;
"**Acquisition**"	the proposed subscription by AETL for new quota in Carnarvon Petroleum Timor such that AETL would hold an equity interest in Carnarvon Petroleum Timor of a minimum of 25 per cent. and a maximum of 50 per cent. pursuant to the terms of the Buffalo Subscription Agreement;
"**Admission**"	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
"**Advance Loan**"	a loan from Advance, or another member of the Group, to Carnarvon Timor as agreed in the Buffalo Subscription Agreement, further details of which are set out in paragraph 4 of this Part I of this document;
"**Adviser Warrants**"	the 45,553,120 Warrants over New Ordinary Shares to be issued, conditional on Admission, to certain advisers to the Company, details of which are set out in paragraph 13.9 of Part VII of this document;
"**AETL**"	Advance Energy TL Limited, a company incorporated in England and Wales with company number 13076601, being a wholly owned subsidiary of the Company;
"**AIM**"	the AIM market operated by the London Stock Exchange;
"**AIM Rules**" or "**AIM Rules for Companies**"	the AIM Rules for Companies, as published by the London Stock Exchange and amended from time to time;
"**AIM Rules and UK MAR Compliance Committee**"	a sub-committee of the Board, further details of which are set out in paragraph 18 of this Part I and paragraph 7.5 of Part VII of this document;
"**AIM Rules for Nominated Advisers**"	the AIM Rules for Nominated Advisers, as published by the London Stock Exchange and amended from time to time;
"**ANPM**"	Autoridade Nacional do Petroleo e Minerais Timor-Leste, is Timor-Leste public institution, created under Decree Law No. 27/2019 of 27th August, 2nd amendment of Decree-Law No. 20/2008 of 19th June, on the Autoridade Nacional do Petróleo, responsible of managing and regulating petroleum and mining activities in Timor-Leste area;
"**Amended Articles**"	the amended articles of association of the Company, to be adopted at the Extraordinary General Meeting in substitution for and to the exclusion of the Articles;

"**Appraisal**"	all works carried out by an authorised person under a petroleum contract following a discovery of petroleum for the purpose of determining the quantity and quality of recoverable Petroleum in, and the size, extent and commerciality of, one or more reservoirs (OPO Decree-Law);
"**Articles**" or "**Articles of Association**"	the current articles of association of the Company, further details of which are set out at paragraph 4 of Part VII of this document;
"**ASX**"	Australian Securities Exchange Limited;
"**Audit Committee**"	a sub-committee of the Board, further details of which are set out in paragraph 18 of this Part I and paragraph 7.2 of Part VII of this document;
"**B-10 Appraisal Well**"	the proposed vertical well known by that name to be drilled to appraise the extent of Petroleum reserves contained in the Buffalo Field with the objective of establishing the remaining reserves present in the Buffalo Field the details of which are determined in accordance with clause 7.4 of the Buffalo Subscription Agreement further details of which are set out in paragraph 7.4 of Part I of this document;
"**B-10 Appraisal Well Costs**"	the actual costs of drilling and logging the B-10 Appraisal Well including all activities associated with the petroleum operations as set out in clause 7.4 of the Buffalo Subscription Agreement;
"**Blocks**"	the blocks with reference numbers 43/25, 43/29, 43/20, 48/4, 44/21, and 48/5;
"**Broker Agreements**"	the broker agreements, further details of which are set out in paragraph 13.6 of Part VII of this document;
"**Buffalo Deed of Guarantee**"	the agreement dated to be entered into between Carnarvon and the Company, further details of which are set out in paragraph 13.13 of Part VII of this document;
"**Buffalo Equity Holders Agreement**"	the agreement to be entered into between Carnarvon Petroleum Timor , CVNA and AETL on completion of the Acquisition, further details of which are set out in paragraph 7.7 of Part I and paragraph 13.15 of Part VII of this document;
"**Buffalo Escrow Agreement**"	the agreement entered into on 29 March 2021 between the Company, AETL, CVNA and Carnarvon Petroleum Timor, further details of which are set out in paragraph 13.18 of Part VII of this document;
"**Buffalo Letter Agreement**"	the agreement dated 17 December 2020 entered into between the Company and AETL, agreed and accepted by Carnarvon Petroleum Timor and CVNA, further details of which are set out in paragraph 13.14 of Part VII of this document;
"**Buffalo Oil Field**" or "**Buffalo Field**"	the petroleum field known by that name located in Timor-Leste waters and the majority of which is contained within the Buffalo PSC Contract Area, further details of which are set out in paragraph 7.2 of Part I of this document;
"**Buffalo Subscription Agreement**"	the agreement dated 17 December 2020 entered into between CNVA, Carnarvon Petroleum Timor, AETL and the Company, further details of which are set out in paragraph 4 of this Part I and paragraph 13.12 of Part VII of this document;

"**Buffalo PSC**"	the agreement dated 28 August 2019 entered into between ANPM on behalf of the Ministry of Petroleum and Mineral Resources and Carnarvon Petroleum Timor, further details of which are set out in paragraph 7.6 of this Part I and paragraph 13.16 of Part VII of this document;
"**Buffalo PSC Contract Area**"	the contract area of the Buffalo PSC;
"**Business Day**"	a day other than a Saturday, Sunday or other day when banks in the City of London, England are not generally open for business;
"**Capital Consolidation**"	the proposed consolidation of every ten Existing Ordinary Shares into one New Ordinary Share, and the consolidation of existing Options and Warrants by the same factor (with their corresponding exercise prices being increased in proportion), details of which are set out in paragraph 14 of this Part I of this document and the Notice of Extraordinary General Meeting;
"**Carnarvon Petroleum**"	Carnarvon Petroleum Limited (ASX:CVN), incorporated in Australia with company number ACN 002 688 851;
"**Carnarvon Petroleum Timor**"	Carnarvon Petroleum Timor, Unipessoal Lda, a corporation organised and existing under the laws of Timor-Leste, with registration number 2003254, the holder of the Buffalo PSC;
"**Commercial Production**"	occurs on the first day of the first period of thirty (30) consecutive days during which production is not less than the level of regular production delivered for sale determined by the Ministry as part of the approval of, or amendment to, a development plan, average over not less than 25 days in the period (*OPO Decree-Law*);
"**Company**" or "**Advance**"	Advance Energy plc, incorporated in the Isle of Man with registered number 010493V;
"**Competent Persons Report**" or "**CPR**"	the technical report on the Buffalo Oil Field Development, which is disclosed in its entirety in Part III of this document;
"**COVID-19**"	an infectious disease caused by severe acute respiratory syndromecoronavirus 2 (SARS–CoV-2);
"**Crude Oil**"	crude mineral oil and all liquid hydrocarbons in their natural state or obtained from Natural Gas by condensation or extraction (*Petroleum Activities Law*);
"**CREST**"	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland Limited which facilitates the transfer of title to shares in uncertificated form;
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 of the UK (SI 2001/3755), as amended from time to time, and any applicable rules made under those regulations;
"**CVNA**"	Timor-Leste Petroleum Pty Ltd, a company incorporated in Australia with company number ACN 625 048 302;
"**Decommission Plan**" or "**Decommissioning Plan**"	the decommissioning plan shall provide the basis for an evaluation of relevant decommissioning options and shall for this purpose include a description of: (a) the petroleum operations related to the relevant Field(s) throughout the lifetime of the Field(s);

	(b) all relevant Facilities and wells, including information on their locations, depths and types of material: (c) the possibilities for continued production; (d) decommissioning options, including possible technical, safety related and environmental related aspects, and relationship to and expected impact on other users of the sea or potentially affected persons and local communities; (e) the recommended option for decommissioning, including cost estimates, timeframes, the anticipated date for commencement of decommissioning, and the reasons for the relevant option being recommended and the reasons for rejecting other options; (f) measures designed to secure the contract area and the safety zone established in accordance with Article 133 against possible future pollution and for clean-up of such areas; (g) details of all environmental documents required under the OPO Decree-Law; (h) the local content proposal and a description on how the Operator, contractor or other authorised person plan to comply with that local content proposal and the Local Content requirements established in the OPO Decree-Law in relation to activities to be conducted for decommissioning purposes; (i) a copy of the last annual local content plan submitted in accordance with Article 153; (j) details of any relevant requirements under Chapter XVI on health and safety and, if applicable, how these will be implemented; (k) estimate of the expected total decommissioning costs; (l) the arrangement and management of a deposit for the total decommissioning costs; (m) the anticipated date for permanent cessation of the use of the relevant facility or the relevant petroleum operations; (n) any other authorisations, licenses, approvals or permits required in order to carry out the recommended decommissioning option; (o) how the implementation of the Decommissioning Plan will be carried out, managed and verified in accordance with applicable law in Timor-Leste; (p) plans for post decommissioning monitoring and maintenance of abandoned facilities, if applicable; (q) Such other information as the Ministry may require (*OPO Decree-Law*);
"**Development Plan**"	a development plan for the achievement of the production of petroleum from the Buffalo PSC as defined within the Buffalo Equity Holders Agreement;
"**Directors**" or "**Board**"	together (unless the context requires otherwise), the Existing Directors and the Proposed Directors, whose names are set out on page 9 of this document;
"**Drilling Operation**"	operations relating to the drilling of a well, or test hole, and which may include operations such as on-site preparation, spudding, data acquisition, monitoring, well control, modification, plugging and completion of a well, but excludes workovers (*OPO Decree-Law*);

"**DTR**"	the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
"**EEA**"	the European Economic Area;
"**Enlarged Group**"	the Group, together with AETL's 50 per cent. of the total equity interest in Carnarvon Petroleum Timor;
"**Enlarged Share Capital**"	the total number of New Ordinary Shares in issue on Admission, comprising the Existing New Ordinary Shares, the Placing Shares and the Accrued Director Fee Shares;
"**Escrow Agent**"	Dentons Australia Limited;
"**Escrow Documents**"	the various documents required to be delivered by both CVNA and AETL at completion pursuant to the Buffalo Subscription Agreement;
"**Existing Directors**"	the existing director of the Company whose names are set out on page 9 of this document;
"**Existing Loan**"	the loan and any other financing provided to Carnarvon Petroleum Timor from CNVA or its related bodies corporate on or before completion of the Buffalo Subscription Agreement;
"**Existing Ordinary Shares**"	the 1,718,416,985 Ordinary Shares in issue at the date of this document (pre the Capital Consolidation);
"**Existing New Ordinary Shares**"	the up to 171,841,698 New Ordinary Shares representing the Existing Ordinary Shares in issue subject to and immediately following the Capital Consolidation (excluding Placing Shares);
"**Extraordinary General Meeting**"	the extraordinary general meeting of the Company convened by the Notice for 9.00 a.m. (London time) on 16 April 2021 to be held at the offices of FIM Capital Limited;
"**Field Export Point**"	the point at which petroleum produced under a petroleum contract, having gone through field level separation, is made ready for sale, further processing or transportation or such other point as designated in an approved Development Plan (OPO Decree-Law);
"**Form of Proxy**"	the form of proxy enclosed with this document for use in connection with the Extraordinary General Meeting;
"**Fractional Entitlement Shares**"	the aggregate of all fractions that would otherwise be held by the Fractional Shareholders following the Capital Consolidation, further details of which are set out in paragraph 14 of this Part I of this document;
"**Fractional Shareholder**"	any Shareholder who would otherwise be entitled to a fraction only of a New Ordinary Share in respect of their holding of Existing Ordinary Shares on the date of the Extraordinary General Meeting following the Capital Consolidation;
"**FSMA**"	the UK Financial Services and Market Act 2000, as amended;
"**Good Oil Field Practice**"	practices and procedures employed in the petroleum industry worldwide by prudent and diligent operators under conditions and circumstances similar to those experienced in connection with the relevant aspect or aspects of the petroleum operations, principally aimed at guaranteeing:

	(i) conservation of petroleum resources, which implies the utilization of adequate methods and processes to maximize the recovery of hydrocarbons in a technically and economically sustainable manner, with a corresponding control of reserves decline, and to minimize losses at the surface; (ii) operational safety, which entails the use of methods and processes that promote occupational security and the prevention of accidents; (iii) environmental protection, that calls for the adoption of methods and processes which minimize the impact of petroleum operations on the environment (*Petroleum Activities Law*);
"**Group**"	the Company and its subsidiaries;
"**Local Director**"	the local director of Carnarvon Petroleum Timor required to be resident in Timor-Leste and appointed by the board of Carnarvon Timor, currently Emanuel Angelo Lay;
"**Lock-in and orderly market agreements**"	the lock-in and orderly market deed, further details of which are set out in paragraph 16 of this Part I and paragraph 13.8 of Part VII of this document;
"**Locked-In Shareholders**"	the Existing Directors, the Proposed Directors and John Battrick, who on Admission will hold, in aggregate, 68,221,115 New Ordinary Shares;
"**London Stock Exchange**"	London Stock Exchange plc;
"**Natural Gas**"	all gaseous hydrocarbons and inerts, including wet mineral gas, dry mineral gas, casing head gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas, but not crude oil (*Petroleum Activities Law*);
"**New Ordinary Shares**"	the ordinary shares of no par value in the capital of the Company (subject to and conditional on the Capital Consolidation);
"**Nominated Adviser Agreement**"	the nominated adviser agreement, further details of which are set out in paragraph 13.3 of Part VII of this document;
"**Notice**"	the notice convening the Extraordinary General Meeting set out at the end of this document;
"**OGA**"	the Oil and Gas Authority, a company incorporated in England and Wales (registered number 09666504) and having its registered office at 21 Bloomsbury Street, London, WC1B 3HF;
"**OGA Deed of Guarantee**"	the deed of guarantee dated 8 November 2019 granted by the Company to the OGA in respect of the Blocks applied for by its subsidiary Resolute (as licensee);
"**OPO Decree Law**"	Decree-Law 32/2016 of 17 August, regulates the petroleum operations in respect of offshore petroleum resources pursuant to Article 31 of the Petroleum Activities Law;
"**Options**"	the options over Ordinary Shares, as set out in paragraph 6 of Part VII of this document;
"**Optiva Securities**"	Optiva Securities Limited, which is authorised and regulated by the FCA (FRN:181192);

"**Ordinary Shares**"	ordinary shares of no par value in the capital of the Company (being the Existing Ordinary Shares pre-Capital Consolidation, and the New Ordinary Shares post-Capital Consolidation);
"**Ordinary Shareholders**"	the holders of Ordinary Shares from time to time;
"**Placees**"	the subscribers for Placing Shares pursuant to the Placing;
"**Placing**"	the conditional placing of the Placing Shares at the Placing Price to the Placees being arranged by Optiva Securities and Tennyson Securities, pursuant to the terms set out in the Placing Agreement;
"**Placing Agreement**"	the conditional placing agreement relating to the Placing, a summary of which is set out in paragraph 13.7 of Part VII of this document;
"**Placing Price**"	2.6 pence per Placing Share;
"**Placing Shares**"	the 840,100,000 New Ordinary Shares being issued by the Company pursuant to the Placing;
"**Proposals**"	the Acquisition, the Placing, the Capital Consolidation and the adoption of the Amended Articles;
"**Proposed Directors**"	the proposed non executive directors of the Company, being Larry Bottomley and Stephen Whyte, whose appointment is conditional on Admission;
"**Quotaholder**"	the holder of a Quota from time to time;
"**Quotaholding**"	the Quota holding of a Quotaholder;
"**Quota**"	a term used in Law 10/2017 – New Law of Commercial Companies of Timor-Leste to represent an ownership interest in the equity of Carnarvon Petroleum Timor, whereby the sum of all quotas corresponds to the total capital of Carnarvon Petroleum Timor and only one quota can be issued to each equity holder;
"**Re-admission Transaction**"	a reverse takeover under AIM Rule 14 or re-admission to trading on AIM as an investing company pursuant to AIM Rule 8 (which requires, *inter alia*, the raising of at least £6 million and publication of an admission document);
"**Record Date**"	close of business (London time) on 16 April 2021;
"**Registry agreement**"	the registry agreement, further details of which are set out in paragraph 13.10 of Part VII of this document;
"**Remuneration Committee**"	a sub-committee of the Board, further details of which are set out in paragraph 18 of this Part I and paragraph 7.3 of Part VII of this document;
"**Reservoir**"	a porous and permeable underground formation containing an individual and separate natural accumulation of producible hydrocarbons (oil and/or gas) that is confined by impermeable rock and/or water barriers and is characterized by a single natural pressure system (*Petroleum Activities Law*);
"**Resolute**"	means Resolute Oil & Gas (UK) Limited, a company incorporated in England and Wales with company number 11487529, being a wholly owned subsidiary of the Company;

"**Resolutions**"	the resolutions set out in the Notice;
"**RISC**" or "**Competent Person**"	RISC Advisory Limited;
"**Service Agreements**"	the new service agreements of Stephen West and Leslie Peterkin;
"**Share Option Agreements**"	the share option agreements issued to Stephen West, John Battrick, Leslie Peterkin, Ross Warner and Mark Rollins. Larry Bottomley and Stephen Whyte will receive share option agreements in the same format as those issued to the above named individuals;
"**Shareholder(s)**"	holder(s) of Ordinary Shares from time to time;
"**Strand Hanson**"	Strand Hanson Limited, as the Company's financial and nominated adviser;
"**Takeover Code**"	the UK City Code on Takeovers and Mergers, as updated from time to time;
"**Takeover Panel**"	the Panel on Takeovers and Mergers in the UK;
"**Tennyson Securities**"	Tennyson Securities is a trading name of Shard Capital Partners LLP, which is authorised and regulated by the FCA (FRN:538762);
"**TIMOR GAP Timor Gás & Petróleo E.P**"	the state-owned company created pursuant to Decree-Law No. 31/2011, of 27 July 2011, and its subsidiaries (*OPO Decree-Law*);
"**Timor-Leste**"	Democratic Republic of Timor-Leste;
"**Treaty**"	the Maritime Boundaries Treaty entered into between Timor-Leste and Australia in New York on 6 March 2018, which delimited the permanent maritime boundary between the two States, including its Annexes;
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland;
"**UK MAR**"	the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018;
"**UK Prospectus Regulation**"	the UK version of Regulation (EU) 2017/1129 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018;
"**UK Prospectus Delegated Regulation**"	the UK version of Commission Delegated Regulation (EU) 2019/980 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018;
"**Unanimous Approval Matter**"	matters relating to the Buffalo PSC that require the written approval of all Directors entitled to give or withhold such approval under the Buffalo Equity Holder Agreement, excluding the Local Director;
"**United States**" or "**US**"	the United States of America, its territories, its possessions, any state of the United States, and the District of Columbia;
"**Warrants**"	the warrants over Ordinary Shares of no par value in the capital of the Company, as set out in paragraph 6 of Part VII of this document; and
"**Well**"	a perforation in the earth's surface dug or bored for the purpose of producing petroleum (*Petroleum Activities Law*).

GLOSSARY OF TERMS

The following table provides an explanation of certain technical terms and abbreviations used in this document. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

"**1C**" or "**Low Case**"	Low estimate contingent resources (P90 probability);
"**2C**" or "**Base Case**"	Best estimate contingent resources (P50 probability);
"**2P**"	The sum of Proved and Probable reserves or in-place quantities, depending on the context;
"**3C**" or "**High Case**"	High estimate contingent resources (P10 probability);
"**3D seismic**"	Geophysical data that depicts the subsurface strata in three dimensions. 3D seismic typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic;
"**API**"	American Petroleum Industry;
"**appraisal well**"	A well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field;
"**bbl**" or "**barrels**"	US Barrel;
"**bopd**"	Barrels of oil per day;
"**Capex**"	Capital expenditure;
"**contingent resources**"	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS;
"**E&P**"	Exploration and production;
"**FDP**"	Field Development Plan;
"**FPSO**"	Floating Production Storage and Offtake unit;
"**FSO**"	Floating Storage and Offloading vessel;
"**FWI**"	Full Waveform Inversion;
"**GSA**"	Gas Sales Agreement;
"**hydrocarbon**"	A compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate;
"**IRR**"	Internal rate of return, being a commonly used measure of return representing the cost of capital at which the NPV of a project is nil;
"**JPDA**"	Joint Petroleum Development Area;
"**LNG**"	Liquified Natural Gas;

"**MMbbls**"	Million US Barrels;
"**MMstb**"	Million US stock tank barrels;
"**MODU**"	Mobile Oil Development Unit;
"**MOPU**"	Mobile Offshore Production Unit;
"**NPV**"	Net present value of net cashflows for a project;
"**NPV10**"	Net present value of net cashflows for a project, discounted at a 10 per cent. interest rate;
"**OWC**"	Oil Water Contact;
"**Probable Reserve**"	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50 per cent. probability that the actual quantities recovered will equal or exceed the 2P estimate;
"**Proved Reserves**"	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 per cent. probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as "Proven";
"**PSC**"	Production Sharing Contract;
"**PSDM**"	Pre Stack Depth Migration;
"**Reserves**"	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status;

"**SPE-PRMS**"	Petroleum Resources Management System, prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC), Society of Petroleum Evaluation Engineers (SPEE), Society of Exploration Geophysicists (SEG), Society of Petrophysicists and Well Log Analysts (SPWLA) and European Association of Geoscientists and Engineers (EAGE), revised June 2018;
"**Sq km**"	Square kilometres;
"**stb**"	A stock tank barrel, which is 42 US gallons measured at 14.7 pounds per square inch and 60 degrees Fahrenheit
"**STOIP**"	Stock Tank Oil Initially In Place;
"**tcf**"	Trillion cubic feet;
"**TVDSS**"	True Vertical Depth Sub-Sea;
"**updip**"	Up the plane of the dip (or uphill);
"**US Barrel**"	A unit of volume measurement used for petroleum and its products (for a typical crude oil 7.3 barrels = 1 tonne: 6.29 barrels = 1 cubic metre); and
"**WHP**"	Wellhead platform.

Advance Energy plc

(Incorporated and registered in the Isle of Man under Company Number 010493V)

Existing Directors:
Mr. Mark Rollins *(Non-Executive Chairman)*
Mr. Leslie Peterkin *(Chief Executive Officer)*
Mr. Stephen West *(Chief Financial Officer)*
Mr. Ross Warner *(Non-Executive Director)*

Proposed Directors:
Mr. Larry Bottomley *(Non-Executive Director)*
Mr. Stephen Whyte *(Non-Executive Director)*

Registered address:
55 Athol Street
Douglas
Isle of Man
IM1 1LA

31 March 2021

To all holders of Existing Ordinary Shares, and for information only, to holders of options and warrants over Ordinary Shares

Dear Shareholder,

Proposed acquisition of a 50 per cent. indirect interest in the Buffalo PSC
Placing of 840,100,000 Placing Shares at 2.6 pence per share to raise £21,842,600
Proposed 1 for 10 Capital Consolidation
Admission of the Enlarged Share Capital to trading on AIM
Proposed adoption of the Amended Articles
and
Notice of Extraordinary General Meeting

1. INTRODUCTION

As announced on 17 December 2020, in accordance with the Company's strategy to focus on growth through acquisition or farm-in to non-operated interests in upstream projects, the Company entered into a conditional Buffalo Subscription Agreement pursuant to which the Company's wholly-owned subsidiary, Advance Energy TL Limited ("**AETL**") will subscribe for equity such that AETL holds a 50 per cent. of the total equity interest in Carnarvon Petroleum Timor for a consideration of US$20 million. Carnarvon Petroleum Timor holds a 100 per cent. working interest and is the contractor under the Buffalo PSC, offshore Timor-Leste. Carnarvon Petroleum Timor is a subsidiary of ASX listed company, Carnarvon Petroleum Limited.

In conjunction with this, the Company has conditionally placed 840,100,000 Placing Shares at the Placing Price of 2.6 pence to raise total gross proceeds of £21,842,600 (approximately US$30,033,575), part of which will fund the subscription into Carnarvon Petroleum Timor. The Acquisition and the Placing are subject to Shareholder approval at the Extraordinary General Meeting, Notice of which is set out at the end of this document.

The Proposals to be put to Shareholders at the Extraordinary General Meeting include the proposed Capital Consolidation to reduce the total number of Ordinary Shares in issue pursuant to which, subject to the passing of the relevant Resolutions, every ten Existing Ordinary Share will be consolidated into one New Ordinary Share. The Directors consider that the proposed Capital Consolidation should result in a more appropriate market price for the New Ordinary Shares. Further details of the proposed Capital Consolidation are set out in paragraph 14 of this Part I of this document.

The Proposals to be put to Shareholders at the Extraordinary General Meeting additionally include the proposed amendments to the Articles. The Amended Articles contain minor amendments covering holding

general meetings electronically and provisions regarding the disclosure of shareholder interests under the DTR. Further details of the Amended Articles are set out in paragraph 4 of Part VII of this document.

The Acquisition constitutes a reverse takeover of the Company pursuant to the AIM Rules and is therefore subject, *inter alia*, to the approval of Shareholders at the Extraordinary General Meeting, notice of which is set out at the end of this document and which will be held at 9.00 a.m. London time on 16 April 2021 at the offices of FIM Capital Limited. If the relevant Resolutions are duly passed at the Extraordinary General Meeting, the Company's existing trading facility on AIM will be cancelled and the Company will apply for the Enlarged Share Capital to be re-admitted to trading on AIM. Accordingly, completion of the proposed Acquisition is conditional, *inter alia*, on the following conditions being satisfied or waived (where appropriate) on or by 17.00 (London time) on 30 April 2021:

- Shareholders passing, at the Extraordinary General Meeting, resolutions to approve, *inter alia*, the Acquisition, the Placing, the Capital Consolidation and the adoption of the Amended Articles;
- the successful completion of the Placing; and
- Admission of the Enlarged Share Capital to trading on AIM.

Further details of the Acquisition, the Placing, the Capital Consolidation and the Amended Articles are set out below in this Part I of this document.

Shareholders should note that the Resolutions are inter-conditional. If the resolutions are not passed at the Extraordinary General Meeting, the Acquisition and the Placing will not proceed and the Directors will need to consider alternative options for the Company. The Company will have expended sizeable monies in pursuing the proposed transaction and would therefore incur significant abort costs and there can be no guarantee that a suitable alternative Re-admission Transaction and/or funding on similar commercial terms to the Placing can be obtained on a timely basis or at all. If the Resolutions are duly passed it is expected that Admission will take place and that dealings in the New Ordinary Shares comprising the Enlarged Share Capital will commence on 19 April 2021.

The purpose of this document is to provide you with information on, and explain the background to and reasons for, the Proposals and explain why the Directors consider the Proposals to be in the best interests of the Company and its Shareholders as a whole and unanimously recommend that Shareholders vote in favour of all of the Resolutions to be proposed at the Extraordinary General Meeting.

You should read the whole of this document and not just rely on the information contained in this letter. In particular, you should consider carefully the "Risk Factors" set out in Part II of this document. Your attention is also drawn to the information set out in Part III to Part VII of this document.

2. KEY INVESTMENT PROPOSITION

- The Acquisition provides Advance with an indirect beneficial interest in a proven oil field with material existing resources. The Buffalo Oil Field contains independently certified 2C oil resources of 34.3 MMstb.*
- Partnering with an established operator in the Carnarvon Petroleum group companies which operate the Buffalo Oil Field. Carnarvon Petroleum is a highly capable operator with experienced in-house E&P team.
- Highly experienced Advance Board and management team, with significant combined regional, technical and capital markets experience. The Company's Chairman and Chief Executive Officer have subscribed for, in aggregate, £0.43m of New Ordinary Shares pursuant to the Placing.
- Exposure to material upside potential in 2021 with limited risk. B-10 Appraisal Well in 2021 is intended to convert the 2C resources to 2P (proved and probable) reserves following re-certification. The Buffalo PSC has the potential, subject to funding and FDP approval, to deliver 40,000 bopd within three years of the B-10 Appraisal Well depending on the degree of success of the B-10 Appraisal Well.

* As noted in paragraph 7.3 of Part I of this document, the Buffalo Oil Field may extend beyond the boundaries of the Buffalo PSC. However, this document and the CPR assume that Carnarvon Timor will have the benefit of the entire Buffalo Oil Field.

- Previous operators (BHP and Nexen Petroleum Australia Pty. Ltd) produced 21 MMstb from the Buffalo Oil Field, over five years, with no material decrease in reservoir pressure.

3. BACKGROUND TO AND REASONS FOR THE PROPOSALS

The Company's strategy is to focus on growth through acquisition or farm-in to non-operated interests in upstream projects where there is an opportunity to add significant value in the short to medium term. The Company screens projects on value potential rather than specific play-types or basins and targets discovered resources in good fiscal regimes and projects with the potential for significant value inflection points within a short timeframe. Target acquisitions and investments are in discovered resources with current production or near term production and cash flow, and with credible partners who can operate to the highest environmental standards. The Company has no current intention to invest in early-stage exploration acreage.

The Directors consider the Acquisition to represent a transformational, value enhancing transaction for the Company, which is fully aligned with the Company's growth strategy. The Buffalo Field has the potential to provide production of up to 40,000 bopd (gross) within 3 years. On the basis of this strategy, the Company's wholly owned subsidiary AETL has entered into the Buffalo Subscription Agreement to acquire a 50 per cent. indirect interest in the Buffalo PSC conditional, amongst other things, upon the Acquisition being approved at the Extraordinary General Meeting as part of the Proposals.

4. KEY TERMS OF THE BUFFALO SUBSCRIPTION AGREEMENT

Under the terms of the Buffalo Subscription Agreement, AETL will subscribe for equity (a "**Quota**") such that AETL holds 50 per cent. of the total equity interest in Carnarvon Petroleum Timor for a consideration of US$20 million. Carnarvon Petroleum Timor has a 100 per cent. working interest in the Buffalo PSC. AETL's subscription funds will be applied to funding the drilling of the B-10 Appraisal Well and certain Buffalo PSC related costs, with the intention for drilling to take place in late 2021. In addition, AETL will source and arrange funding of the development Capex through to first oil.

The Buffalo Subscription Agreement is subject to the following conditions being satisfied by 30 April 2021 (following an extension to the previous drop dead date of 31 March 2021 that was granted on 5 March 2021):

- the Company obtaining funding for the B-10 Appraisal Well of at least US$10 million;
- receipt of Timor-Leste Government approvals relating to the Buffalo Subscription Agreement and the Buffalo Equity Holders Agreement (which has been obtained); and
- the Placing Agreement becoming unconditional (which itself is subject to the Resolutions being passed and Admission).

On completion of the Buffalo Subscription Agreement, AETL and CVNA will enter into the Buffalo Equity Holders Agreement which regulates the relationship between AETL and CVNA, as Quotaholders in Carnarvon Petroleum Timor – further details of which are set out in paragraph 7.7 of this Part I and paragraph 13.15 of Part VII of this document.

Under the Buffalo Subscription Agreement, if a Development Plan is approved, AETL will be obliged to source and arrange the funding of the development capital expenditure (currently estimated to be in the region of US$125 million). This would be funded by third party lending to Carnarvon Petroleum Timor (anticipated to represent around 70 per cent. of such funding) and a loan from AETL, or another member of the Advance Group (expected to represent around 30 per cent. of such funding), to Carnarvon Petroleum Timor (the "**Advance Loan**"). AETL (rather than Carnarvon Petroleum Timor or CVNA) is responsible for any financing costs in connection with such funding. Carnarvon Petroleum Timor is to bear the interest on such funding up to 10 per cent. per annum beyond which AETL is responsible for such amounts. AETL must procure and provide to CVNA fully documented, credit-approved Advance Loan documentation in a form ready for execution by the relevant parties by no later than 180 days after the parties agree a Development Plan (as defined in the Buffalo PSC). **A failure to provide such funding would constitute a material breach of the Equity Holders Agreement and trigger the default provisions noted below.**

The Board note that, to reach such requirement, the Carnarvon Petroleum Timor directors appointed by AETL would need to approve the Development Plan as a Unanimous Approval Matter under the Buffalo

Equity Holders' Agreement. Such directors may not refuse to approve the draft Development Plan unless there is a reasonable commercial or operational basis for so doing. Under the Buffalo PSC, the Development Plan would need to be approved within 12 months from the date of a successful B-10 Appraisal Well.

Default occurs under the Buffalo Equity Holders Agreement if any party fails to perform its material obligations or fails to pay material amounts due or becomes insolvent and a default notice is issued by a party to the agreement. A default by AETL would include a failure to source and arrange the funding of the development expenditure. In the event of a default, the buy out provisions would apply, whereby a Quotaholder could force a defaulting Quotaholder to sell its Quotaholding at a discounted price of 75 per cent. of fair value. During any default period, the defaulting Quotaholder also loses various rights (including the rights to attend and vote at meetings, transfer its Quota or reject the transfer by other Quotaholders).

The Company has provided a guarantee in respect of the AETL's obligations under the Buffalo Subscription Agreement save for those relating to the development capital expenditure funding.

Further detail regarding the Buffalo Subscription Agreement is set out in paragraph 13.12 of Part VII of this document.

5. BACKGROUND ON CARNARVON PETROLEUM TIMOR

Carnarvon Petroleum Timor is currently a wholly owned indirect subsidiary of ASX listed Carnarvon Petroleum incorporated in Timor-Leste in August 2018 to hold and manage Carnarvon Petroleum's interest in the Buffalo PSC. Carnarvon Petroleum Timor has, to date, been managed by Carnarvon Petroleum and has an office in Timor-Leste as required under the Buffalo PSC located in Dili, the capital of Timor-Leste.

On completion of the Acquisition, Advance, via its wholly owned subsidiary AETL, will acquire a Quota in Carnarvon Petroleum such that it holds an effective equity interest of 50 per cent. in Carnarvon Petroleum Timor. Carnarvon Petroleum Timor will manage the Buffalo PSC as per the terms of the Buffalo Equity Holders' Agreement and, on Admission, will have a five person board expected to comprise of Philip Huizenga (COO of Carnarvon), Thomson Naude (CFO of Carnarvon), Leslie Peterkin, Stephen West and Emanuel Angelo Lay (the Local Director).

Historical financial information on Carnarvon Petroleum Timor is set out in Part V of this document. The Buffalo Subscription Agreement sets out the treatment of certain debt owed to CVNA, namely that Carnarvon Petroleum Timor must not make any repayments of the Existing Loan unless and until the commencement of commercial production from the Buffalo Field and the Existing Loan and any future CVNA Loan will be subordinated to all other indebtedness of Carnarvon Petroleum Timor and is only repayable out of after-tax profits of Carnarvon Petroleum Timor. Further details are set out in paragraph 13.12 of Part VII.

Further details on the Buffalo PSC and the Buffalo Equity Holders Agreement are set out in paragraphs 7.6 and 7.7 respectively of this Part 1.

6. OVERVIEW OF TIMOR-LESTE AND ITS OIL AND GAS INDUSTRY

The Democratic Republic of Timor-Leste, forms the eastern half of the Island of Timor, the nearby islands of Atauro and Jaco, and Oecusse, an exclave on the northwestern side of the island surrounded by Indonesian West Timor. Timor-Leste gained independence from Indonesia and was internationally recognised as an independent nation on 20 May 2002, following a history of colonial rule and struggles with Indonesia for independence. Australia is the country's southern neighbour, separated by the Timor Sea, as shown in Figure 1 below.

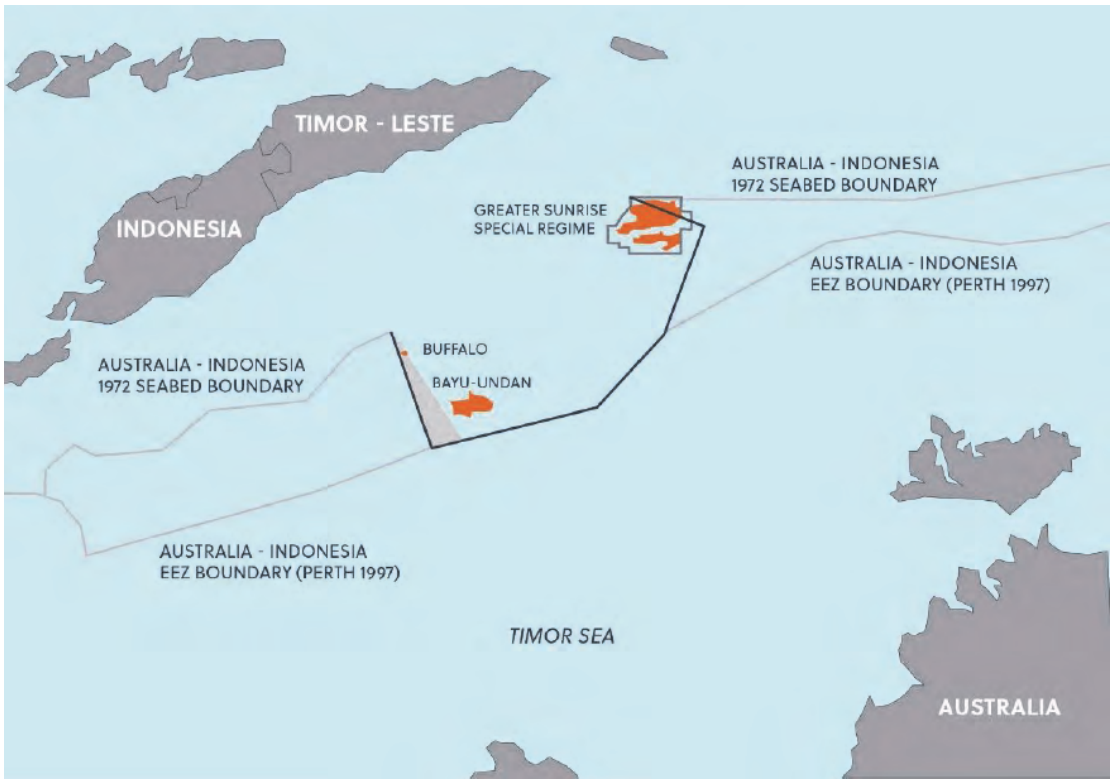


Figure 1: Map of maritime boundary between Timor-Leste and Australia, represented by the dark line in the middle, surrounding Bayu-Undan and most of Greater Sunrise fields (not to scale). (Source: Company management)

Political System

Timor-Leste is a semi-presidential multi-party representative democracy in which the president is the head of state and the prime minister is the head of government. The president is directly elected for a five-year term and can serve in this role for a maximum two terms. The president can veto legislation put forth by the government and approved by parliament. President Francisco Guterres, the current president of Timor-Leste, was elected in March 2017 and presides over a coalition government, predominantly comprising the FRETILIN and AMP parties. The president, who appoints as prime minister the leader of the majority party or majority coalition in parliament. The parliament has 65 seats, which are contested, through closed party list proportional representation voting, every five years. AMP is the largest party in parliament at present with 34 seats. The FRETILIN party holds 23 seats. The next parliamentary elections are scheduled for 2023.

Economic landscape and the oil & gas industry

Timor-Leste is a least developed economy (as defined by the United Nations) and the government remains heavily dependent on proceeds from the oil and gas sector. Despite several positive macroeconomic indicators – such as low public debt, low inflation, and strong foreign currency reserves – significant economic challenges remain and the private sector is relatively underdeveloped and heavily dependent on government funding. Timor-Leste's oil and gas industry is small, with limited in-country technical experience, but nonetheless accounts for the vast majority of government revenues from a single key project of note, being Bayu-Undan, which is highlighted in Figure 2 below. Since independence in 2002, the country has used its Petroleum Fund, a USD 16 billion sovereign wealth fund, to focus on rebuilding its public infrastructure, including roads, ports and airports, electricity, water and sanitation systems, and government facilities.

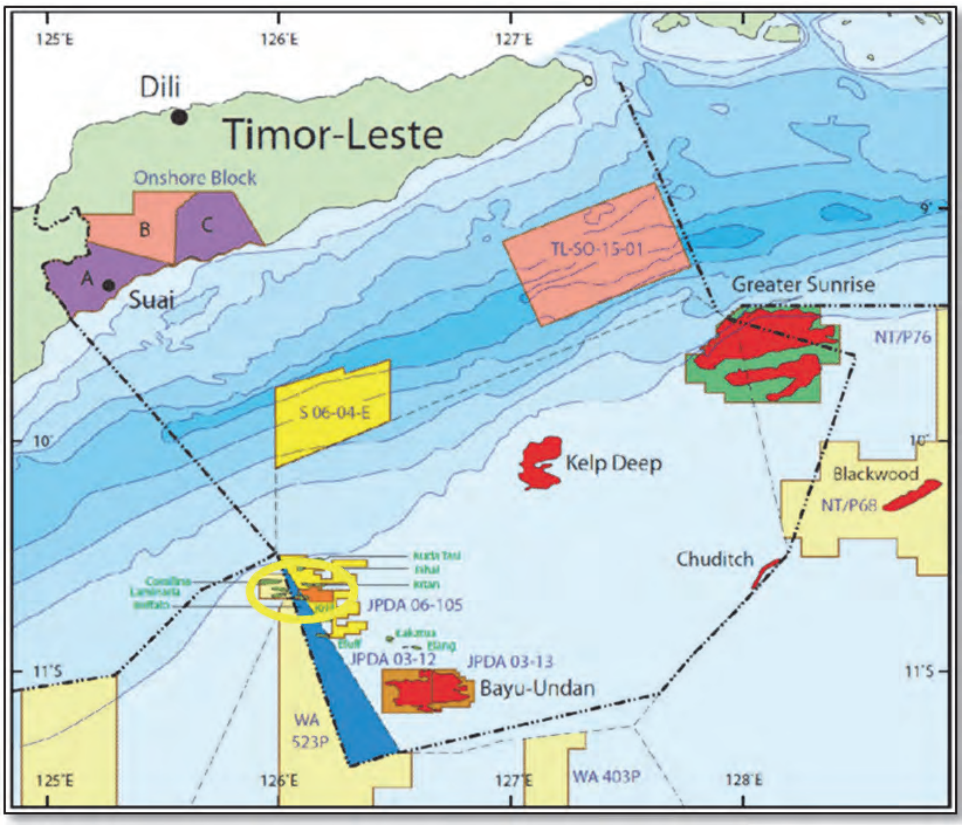


Figure 2: Timor-Leste Oil and Gas Licenses: Buffalo and Laminaria High area circled in yellow (Source: Carnarvon Petroleum Ltd)

Bayu Undan was discovered in 1995 and subsequently developed and started producing in 2004, with ConocoPhillips as operator. The gas produced from the field comes ashore to an LNG plant in Darwin, Australia, while condensate and liquified petroleum gas are exported directly from the field. Timor-Leste has regulated the project since 2018, while prior to that time, the area of the JPDA was jointly managed by Timor-Leste and Australia. ConocoPhillips' interest in the field was acquired by Australia's Santos in March 2020.

Revenues from Bayu Undan have provided the majority of the country's oil and gas revenues, which represents approximately 95 per cent. of the country's income, and have been used to develop the country's sovereign wealth fund noted above. Bayu Undan is in the late stage of its life and while further development will extend that life, the future development of the undeveloped Sunrise field is required to sustain the current level of government revenues. The Buffalo Field is the sole oil field pending development and first oil will provide much needed government revenue if it can be successfully developed into production.

The Greater Sunrise project, which straddles Timor-Leste and Australian waters (following the settlement of the maritime boundary by the two countries in 2018) is operated by Woodside, with Timor-Leste holding a majority position as a result of acquiring stakes from ConocoPhillips and Royal Dutch Shell plc, its former partners in the project, in 2018. It is a gas and condensate field which was discovered in 1974 and is estimated to contain 2C resources of 5 tcf dry gas and 225.9 million barrels of condensate.

Timor-Leste operates a production sharing contract (PSC) fiscal system governing the oil and gas industry revenues, as further detailed in paragraph 13.16 of Part VII. Oil and gas operations in Timor-Leste's exclusive areas are conducted according to PSCs signed between the National Petroleum and Mineral Authority and oil and gas contractors. It is relatively common practice for developing countries to use PSCs. A PSC highlights the state's sovereignty over its natural resources, which is particularly valued by countries with a history of having experienced colonialism and/or other exploitation, whilst allowing private investors to utilise their financial and technological capability to exploit untapped natural resources for the benefit of the country in question.

7. THE BUFFALO PSC

Figure 3: The Buffalo PSC, showing the Buffalo Field circled in yellow (Source: Figure 2-2 in the CPR, which can be found in Part III of this document)

The Buffalo Oil Field is located at the westernmost part of Timor-Leste waters predominantly within the Buffalo PSC Contract Area of the Buffalo PSC, which was created from the Australian Exploration Permit WA-523-P as a result of the March 2018 agreement on Maritime Boundaries in the Timor Sea (Figure 1, Figure 2). Any outstanding exploration or other commitments under the previous Australian licence remain with WA-523-P, which is not held by Carnarvon Petroleum Timor and is, therefore, not included within the scope of the Acquisition.

The Buffalo PSC covers 1,347.5 sq km, roughly equivalent to between five and six entire UK North Sea blocks. The Buffalo Field is the only oil or gas discovery within the Buffalo PSC Contract Area, and the adjacent area to the east of the Buffalo Field is open acreage. The Buffalo PSC is deemed to have commenced in May 2016, and remains in an exploration period until May 2022, and there are no exploration commitments. Work commitments under the Buffalo PSC include technical studies, well planning, and the drilling of an appraisal well on the Buffalo Field by May 2023 (following the approval of a one year extension). A development and production period of 25 years is subject to a Development Plan approved by the Ministry of Petroleum and Mineral Resources of Timor-Leste.

7.1 Regional Setting

The Buffalo Field is located in relatively shallow waters of the Big Bank Shoal in the Timor Sea, off the north-west coast of Australia, and about 180 km from the island of Timor (Figure 1).

Much of the Timor Sea is underlain by a thick sedimentary sequence of Cambrian to Recent age, forming the hydrocarbon bearing Bonaparte Basin, where numerous gas and oil discoveries have been made over the past 20 years.

Buffalo Field is one of a group of small to medium sized, but highly productive, oil fields on the Laminaria Flamingo High, developed in the 1990's, in the northern part of the Basin; the Laminaria, Corallina, Jahal, Kuda and Kitan fields all lie within 20 km of the Buffalo Field (Figure 2), and had total initial reserves of over

300 MM bbl. The structures are mainly east-west oriented faulted anticlinal horst blocks. A thick sequence of Jurassic to Early Cretaceous clastic sediments (over 10 km thick) occurs in the northern Bonaparte Basin, with shallow marine and fluvio-deltaic reservoir sandstones of Middle to Late Jurassic age forming excellent quality reservoirs.

In the Laminaria High area, the principal reservoirs are Callovian-Oxfordian in age, and are assigned to the Laminaria or Elang Formation, underlying a semi-regional seal in the shale dominated Frigate Formation (Figure 4). The Elang Formation overlies thick fluvio-deltaic sands of the Plover Formation which has a significant aquifer providing a strong water drive, resulting in high oil recovery factors in these fields, as well as being a regional oil and gas reservoir.

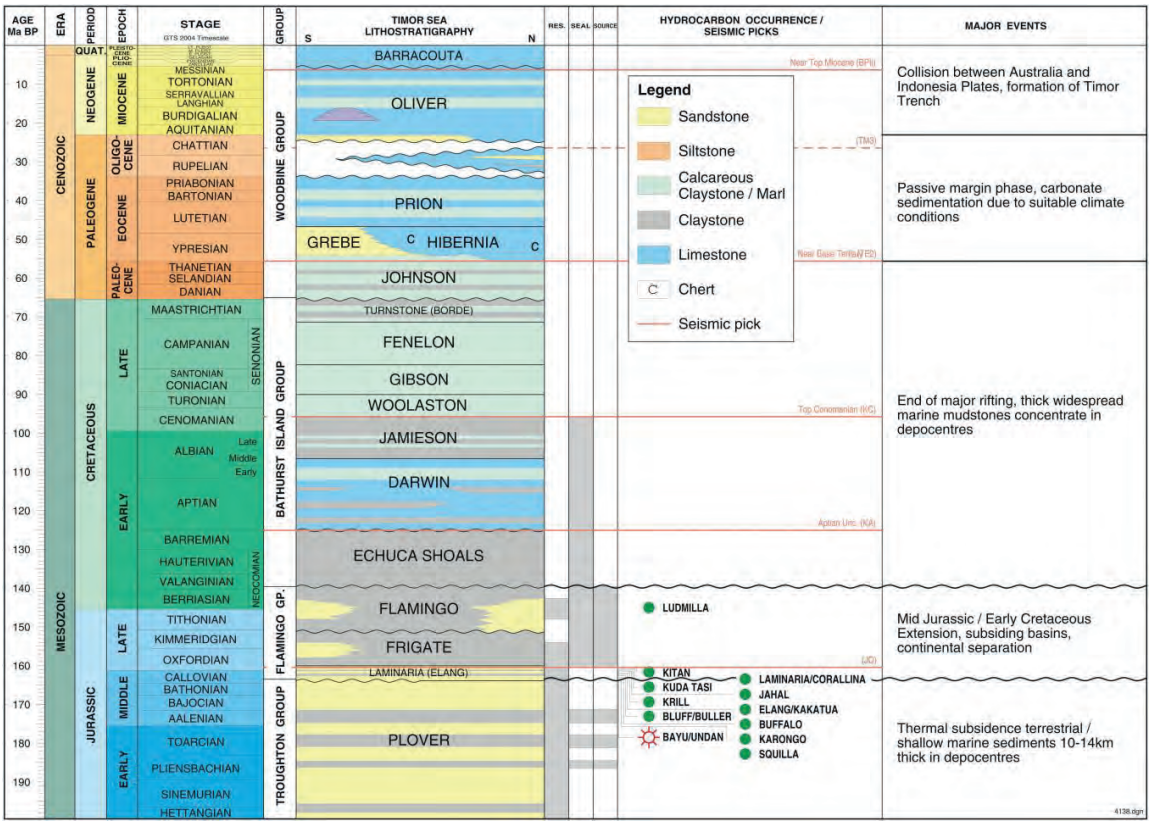


Figure 4: Northern Bonaparte Basin Stratigraphy (Source: Figure 3-2 in the CPR, which can be found in Part III of this document)

7.2 Buffalo Oil Field

Discovery, Development and Abandonment

The Buffalo Oil Field discovery well (Buffalo-1) was drilled by BHP in 1996, encountering a 45 metre oil column in Callovian aged sands of the Elang Formation at around 3,250 metres depth, which flowed 52.7 degree API oil at high rates (11,790 bopd) on test. An appraisal well (Buffalo-2), drilled the following year, found a thinner oil column on the eastern flank of the structure and whilst not flow tested, provided sufficient information to define a viable development project.

The development proceeded in 1999 with the installation of a WHP in shallow waters (27 metres), at a location that was considered at that time to be close to the crest of the structure, with the drilling of the Buffalo-3, the Buffalo-4 (which was deviated to the north-west), and the Buffalo-5 wells. Production started in December 1999 from the Buffalo-3 and Buffalo-5 wells, which together achieved a maximum field oil rate of 45,000 bopd. However, water production began only a few months later and oil production began to decline. BHP's proposed Buffalo-6 well was never drilled, although its location is close to the currently understood crest of the field, which remains undrilled. Nexen assumed operatorship and full ownership in 2000, and drilled three further wells, of which Buffalo-7 and Buffalo-9 encountered oil pay and were put on production.

By the end of 2004 production had declined to 4,000 bopd with 89 per cent. water cut, the field was shut-in and abandonment of the field commenced the following year, having produced a total 20.6 MMstb of oil.

Technical Challenges

This part of the Timor Sea is characterised by numerous carbonate banks ("reefs") which build up from relatively deep waters to near the surface. The Buffalo Field underlies one such feature, the "**Big Bank**", which rises abruptly from the seafloor at around 300 metres, to just 27 metres below sea level. This creates severe challenges for the acquisition, processing and depth conversion of seismic data due to high seafloor reflectivity/poor energy penetration, seismic ray path distortion and complex seismic velocities, leading to poor imaging and consequent mis-location of wells on the Buffalo structure.

These challenges have contributed to the difficulties experienced in the previous development of the Buffalo Field, with significant ambiguities around depth conversion, fault locations and the vertical relief of the structure. A number of wells drilled on the flanks (Buffalo-2, Buffalo-4, Buffalo-8) came in low to prognosis and were close to or below the oil-water contact, as a result of these uncertainties that remained unresolved at that time.

Following award of the Buffalo PSC to Carnarvon Petroleum in May 2016, Carnarvon Petroleum undertook a comprehensive re-assessment of the 3D seismic data regionally and across the field, using high-end processing workflows (2016-2018). This was based on Pre Stack Depth Migration ('PSDM') re-processed datasets by DownUnder Geosolutions, refining the complex velocity models over the field with Full Waveform Inversion ('FWI'), a technique that has only become available in recent times, and careful model iterations, with independent processing verification by CGG.

Based on the resulting depth mapping, and detailed petrophysical re-appraisal of the wells, Carnarvon Petroleum developed a new, detailed geological model of the field, and undertook extensive static and dynamic modelling of the field using the existing wells data, and thereby redefined the potential remaining resources.

Current Reservoir Depth Map

The current understanding of the Top Elang reservoir depth is shown in Figure 5 below, and differs in crucial areas from previous maps by BHP and Nexen. The improved understanding of seismic ray paths and velocities over the field now shows the structurally highest areas of the field (shown in white) lie to the south of the Buffalo-3 and Buffalo-7 wells, and the whole eastern part of the Buffalo structure, along the southern main fault, is higher than previously mapped – potentially extending slightly beyond the eastern boundary of the Buffalo PSC.

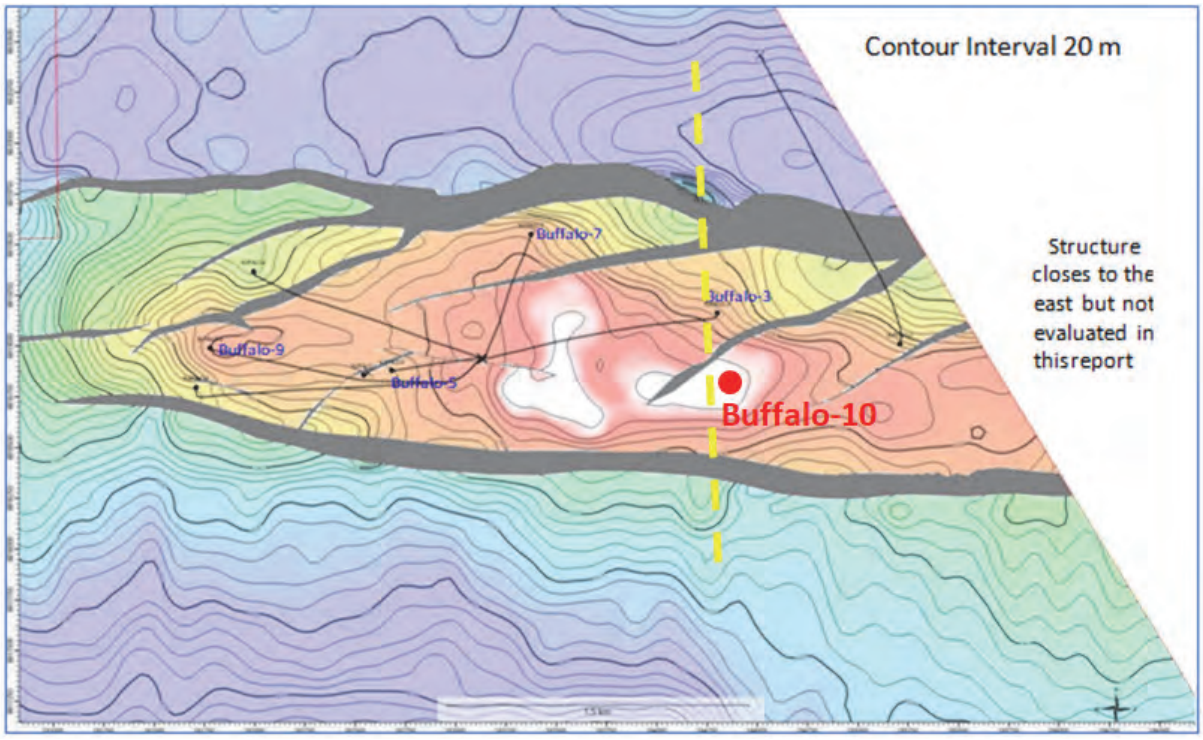


Figure 5: Top Elang Formation Depth Structure Map, showing seismic line (yellow dashed line) and approximate location of B-10 Appraisal Well (Source: Figure 3-8 in the CPR, which can be found in Part III of this document, with seismic line and well location overlayed by management)

Attic Oil Potential

The Buffalo-3 and Buffalo-5 wells were previously thought to be on the crest of the field, and the fact that they both watered-out implied that the entire field had been swept by the encroaching aquifer. It is now clear that 60 to 80 metres of untested closure lies updip from the highest penetration (Buffalo-3), potentially containing significant quantities of 'Attic Oil' which could not have been produced from the existing wells.

Figure 6 below is a N-S seismic profile passing through the Buffalo-3 well and across the structurally higher, attic area showing undrained oil potential to the south.

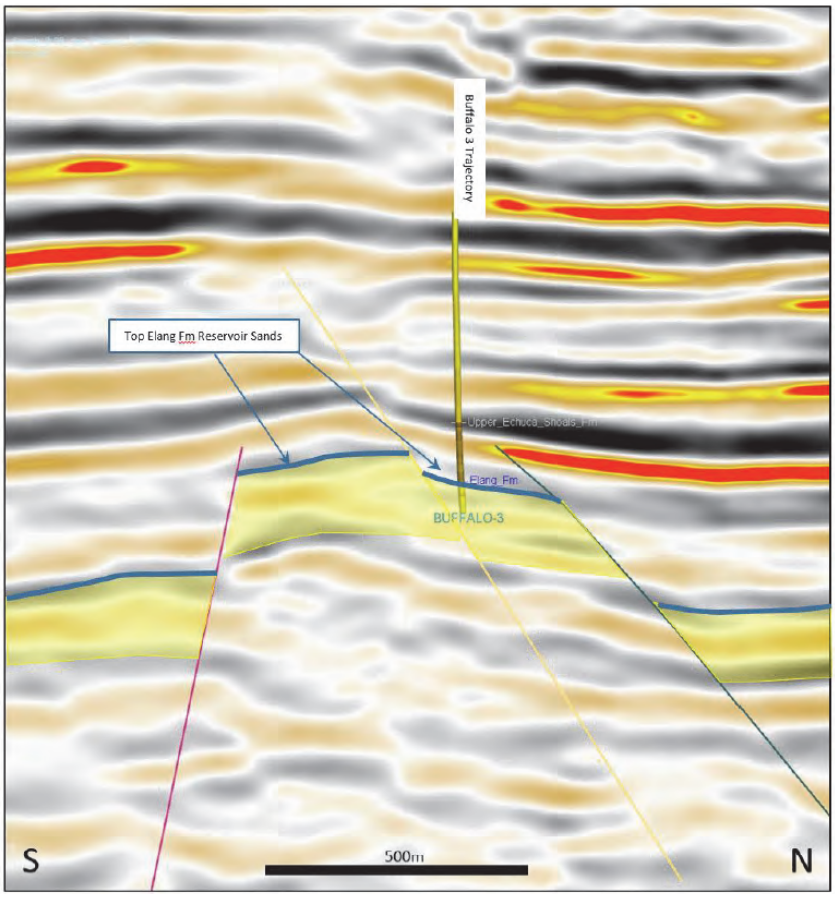


Figure 6: N-S seismic depth section through Buffalo-3 well (Source: Carnarvon Petroleum Ltd)

This revised geological model results in a calculated stock tank oil initially in place (STOIIP) estimate of a little over 100 MM bbl in the Base Case, of which at least 89 per cent. lies within the Buffalo PSC Contract Area. Corresponding High Case and Low Case estimates, based on 500 stochastic realisations of the geological model, are shown below. This range incorporates uncertainties in depth mapping, reservoir facies and porosity prediction.

Buffalo Field Elang Fm	*Low Case STOIIP (MMstb)*	*Best Case STOIIP (MMstb)*	*High Case STOIIP (MMstb)*
Full-field	75.2	106	156
Truncated within Buffalo PSC	73.7	94.8	114

7.3 Resources and Reserves

Remaining, unproduced oil resources at Buffalo have been estimated from dynamic modelling of the Elang reservoir, with production history matching of the four wells which produced from 1999 (Buffalo-3 and Buffalo-5) and 2002 (Buffalo-7 and Buffalo-9), and together produced around 20 MMstb. The majority of production came from the two original wells in the centre of the field (Buffalo-3 and Buffalo-5), with 40-50 metre oil columns, and produced around 8 MMbbl each. Model simulations suggest that the oil-water contact (OWC) in the field has risen by about 26 metres during production to 3,290 metres TVDSS.

The modelling assumes a 3 well re-development along the crestal attic area, with estimated oil columns of 90 to 113 metres above the new OWC. The strong water drive in the Laminaria High gives high recovery factors (up to 60 per cent. or more), and a range of 40 per cent. to 65 per cent. has been applied. The anticipated oil columns in proposed attic wells are significantly larger than in the original development, and potential oil recovery per well is therefore higher, averaging over 10 MMbbl in the Base Case.

The potential volumes recoverable in the re-development of the field are classified as Contingent Resources, development pending, under the PRMS standard.

	Contingent Resources		
Oil (MMstb)	**1C**	**2C**	**3C**
Gross (100%)	16.0	34.3	62.8
Contractor Net entitlement (100%)	12.2	25.0	44.4
Net indirectly attributable to AETL (50%)	6.1	12.5	22.2

Notes:

1. "Gross" are 100 per cent. of the total field resources (some of which may fall outside the Buffalo PSC Contract Area to the East).
2. "Contractor Net" are attributable to the contractor under terms of the Buffalo PSC (from Gross amount above).
3. "Net indirectly attributable to AETL" is the proportion attributable to AETL's equity in Carnarvon Petroleum Timor. AETL's interest in Carnarvon Petroleum Timor post subscription is to be confirmed.

Gross resources in the 2C base case of 34.3 MMstb, combined with 20.5 MMstb historic production, imply an ultimate recovery of 54.8 MMstb – or 52 per cent. of the base case STOIIP. This is consistent with recoveries obtained from other fields in the Laminaria High area.

Whilst the majority of the Buffalo Field falls within the Buffalo PSC Contract Area, the field extends beyond the Eastern boundary of the Buffalo PSC Contract Area. **For the purposes of this document and the CPR, it is assumed that Carnarvon Timor will have the benefit of the entire Buffalo Field.** It should be noted that some of the oil set out in the table above may fall outside of the Buffalo PSC Contract Area but RISC Advisory does not estimate the quantity in its CPR as it would depend on various factors, such as the oil water contact point when producing. The acreage to the East of the Buffalo PSC is open and the Directors consider that the Buffalo Field will not be drilled from outside the Buffalo PSC Contract Area and there is no way of knowing what oil produced would be from outside the Buffalo PSC Contract Area. Furthermore there is currently no forced unitisation process in Timor-Leste. As such, the Board considers the fact that the Buffalo Field may extend outside the Buffalo PSC Contract Area to the East to be moot and that it is reasonable to assume that Carnarvon Timor will have the benefit of the entire Buffalo Field. For these reasons, the Company has presented the gross Buffalo Field numbers in its assessment of the Acquisition and throughout this document.

RISC Advisory applies a risking to the development, which is expected to proceed after a successful B-10 Appraisal Well, provided the appraisal outcome is not worse than 1C (~95 per cent.), acceptable commercial arrangements can be secured with facility (FPSO, MOPU, FSO) owners (95 per cent.) and the joint venture partners can secure development funding (95 per cent.). It therefore estimates the probability of development to be 86 per cent. (95% x 95% x 95%).

7.4 B-10 Appraisal Well

The Buffalo PSC has a remaining commitment to drill one well prior to 26 May 2023, which the operator expects to drill in H2 2021. The B-10 Appraisal Well is planned to confirm the structural interpretation of the attic area and determine the current oil-water contact in the field, and will be retained as a production well. The anticipated vertical well location is shown in Figure 5. The results of the well should help determine the location of the one or two further deviated development wells. A drilling environmental plan for the well has been approved by both Australian and Timor-Leste regulators. The appraisal well is estimated to cost US$20 million to drill and suspend; the full cost of this well (up to US$20m) will be funded by AETL under the Buffalo Subscription Agreement. Any overrun on this cost estimate would be split between AETL and Carnarvon according to their then prevailing respective interests.

7.5 Buffalo Field Re-development

The configuration of the Buffalo Field development would be finalised and documented in the Development Plan, which will take into account the results of the B-10 Appraisal Well to be drilled in H2 2021. These results will be integrated with the existing database after the drilling of the B-10 Appraisal Well. BHP's original development comprised a WHP with 5 development well slots located in the shallow waters of the Big Bank Shoal. A flowline from the producing wells gathered the produced fluids, which were processed by an FPSO located in deep water some 2 km from the WHP. This remains a likely development configuration for a future development.

In the interests of assessing all possible development options that could provide optimal economic or equivalent economic outcomes, Carnarvon Petroleum have investigated a number of alternative development options ahead of drilling the B-10 Appraisal Well. One such is a MOPU or MODU configuration,

which uses a modified drilling jack-up rig that would be located on the Big Bank and obviate the need for a WHP, and would also include oil processing facilities. As a consequence, an FPSO would no longer be required, with only an FSO being required.

The economic merits of these options will be considered after the B-10 Appraisal Well has been drilled to arrive at the optimal development solution for the Buffalo Field.

The Competent Person provides an economic assessment of a 3-well development (inclusive of the B-10 Appraisal Well), requiring capex of US$145 million based on a MOPU/FSO scenario (including the US$20 million to be raised in the Placing). The unrisked NPV10 on the 2C Contingent Resources with a US$50 oil price assumption is US$339 million (100 per cent. PSC contractor share), of which US$169 million would be AETL's share assuming they acquire a 50 per cent. interest in Carnarvon Petroleum Timor. The calculation assumes a peak production of 30,000 bopd. The calculation results in an IRR of 85 per cent. and payback within 12 months.

7.6 Key terms of the Buffalo PSC

The Buffalo PSC was entered into on 28 August 2019 between ANPM on behalf of the Ministry of Petroleum and Mineral Resources and Carnarvon Petroleum Timor. Carnarvon Petroleum Timor is the "**Contractor**" and holds a 100 per cent. working interest in the Buffalo PSC.

Under the Buffalo PSC, Carnarvon Petroleum Timor (i) has the exclusive right to carry out Petroleum Operations in the Buffalo PSC Contract Area at its sole cost, risk, and expense, (ii) needs to provide all personnel, financial and technical resources, and (iii) must share Petroleum produced from the Buffalo PSC Contract Area in accordance with the terms of the Buffalo PSC.

Petroleum Operations are limited to being carried out within the Buffalo PSC Contract Area only and the Buffalo PSC does not authorise Carnarvon Petroleum Timor to process Petroleum beyond the Field Export Point, unless this is done with the consent of the Ministry (such consent is not to be unreasonably withheld), or expenditure related to such processing will not be cost recoverable.

The current exploration phase of the Buffalo PSC expires on 26 May 2023 (with the well commitment having been extended for one year), which may be followed by up to two five-year exploration extensions and a 25 year development and production period. The only operational commitment prior to the expiration of the current exploration phase of the Buffalo PSC is the drilling of one appraisal well.

Under the terms of the Buffalo PSC, a committee comprising two representatives nominated by Carnarvon Petroleum Timor and two representatives nominated by the Ministry (one of which will serve as chairman), which will meet at least twice a year for the purposes of, *inter alia*, reviewing progress in relation to the work commitments under the Buffalo PSC and the associated budgets, further details of which are set out in paragraph 13.17 of Part VII.

In PSCs the contractors net entitlement is derived from cost and profit oil as dictated by the terms of the PSC. The remaining oil is the property of the Government. Carnarvon Petroleum Timor is currently the 100 per cent. contractor.

A summary of the key fiscal terms of the Buffalo PSC, as summarised in paragraph 6.2 of the CPR, are as follows:

- 100 per cent. cost recovery;
- 65 per cent. contractor share of profit oil;
- 30 per cent. corporate tax rate; and
- 5 per cent. royalty from revenue.

A summary of the principal terms of the Buffalo PSC is set out in paragraph 13.16 of Part VII of this document.

7.7 Key terms of the Buffalo Equity Holders Agreement

The Buffalo Equity Holders Agreement will be entered into on completion of the Acquisition.

The purpose of the Buffalo Equity Holders Agreement is to regulate the relationship between AETL and CVNA, as Quotaholders in Carnarvon Petroleum Timor, for the purpose of exploring, appraising, developing and producing hydrocarbons within the geographical area of the Buffalo PSC, including the Buffalo Oil Field. It establishes a regime for the approval of work programs and budgets and authority for expenditure, as well as for cash calls in proportion to each Quotaholder's equity in Carnarvon Petroleum Timor to fund operating expenditure, general and administrative costs and any additional costs that are not funded pursuant to the Buffalo Subscription Agreement.

Under the Buffalo Equity Holders Agreement, AETL would be entitled to appoint two directors to the board of Carnarvon Petroleum Timor, which on Admission will also include two appointees of Carnarvon Petroleum and one Local Director resident in Timor-Leste appointed by the Carnarvon Petroleum Timor Board.

On Admission, the board of Carnarvon Petroleum Timor is expected (subject to board/shareholder approval which has not yet been obtained) to comprise Philip Paul Huizenga and Thomson Otto Naude as representatives of Carnarvon Petroleum, Leslie Peterkin and Stephen West as representative of Advance Energy, and Emanuel Angelo Lay as the nominated Local Director. The directors of Carnarvon Petroleum Timor may elect one of the members of the board to be chairperson, however such chairperson does not have a casting vote. Decisions are passed by the board on a majority vote, save for certain Unanimous Approval matters that require the consent of all directors (excluding the Local Director) and Affirmative Approval matters that require the consent of directors appointed by at least two Quotaholders holding between them at least 65 per cent. of the Quotas (and would therefore also require the consent of the AETL appointed directors). The Buffalo Equity Holders Agreement includes cash call provisions in which AETL and CVNA are obliged to provide additional funding to Carnarvon Petroleum Timor if the board of Carnarvon Petroleum Timor approves the issue of such a notice. **There is no cap on the amount that the request could be and payment must be made by the date provided in the notice.**

The Buffalo Equity Holders Agreement includes pre-emption rights which apply to either party on the proposed transfer of their equity in Carnarvon Petroleum Timor and change of control provisions (which can trigger pre-emption).

A Quotaholder in default triggers buy out provisions whereby a Quotaholder could force a defaulting Quotaholder to sell its Quotaholding at a discounted price of 75 per cent. of fair value (the "**Default Buyout Clause**"). During any default period, the defaulting Quotaholder also loses various rights (including the rights to attend and vote at meetings, transfer its quota or reject the transfer by other Quotaholders).

Further detail regarding the Buffalo Equity Holders Agreement is set out in paragraph 13.15 of Part VII of this document.

Shareholders should be aware that if Advance were to default pursuant to the Default Buyout Clause and be required to sell its Quotaholding, it is expected that, were it not to hold any other material assets at such time, the Company would likely become a cash shell pursuant to AIM Rule 15 on completion of such sale without the consent of shareholders pursuant to AIM Rule 15.

As such, it would be required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion Date or alternatively seek to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least £6 million and publication of an admission document. In the event that the Company does not complete a reverse takeover under AIM Rule 14 within such six month period or seek re-admission to trading on AIM as an investing company pursuant to AIM Rule 8 (either being, a "**Re-admission Transaction**"), the Company's New Ordinary Shares would be suspended from trading pursuant to AIM Rule 40. Thereafter, if a Re-admission Transaction has not been completed within a further six month period, admission to trading on AIM of the Company's New Ordinary Shares would be cancelled.

8. OTHER ASSETS

At present the only other oil and gas assets in the Group are the Blocks awarded to Resolute, subject to documentation, in the OGA's 32nd licensing round. The blocks are in the southern North Sea and consist of block 43/25 and part-blocks 43/29, 43/30, 48/4 and 48/5 ("**North Sea Licences**"). Advance Energy has a 62.5 per cent. non-operated interest in the blocks that would require gross funding of £284,900 and

£272,800 (gross) in the first 2 years following their formal issuance. In a November 2020 board meeting it was decided not to proceed with these opportunities and the Board expects it is likely that its subsidiary Resolute (and therefore indirectly the North Sea Licences) will be sold to a third party for a nominal sum without further expenditure on such assets by the Company.

9. CURRENT TRADING AND PROSPECTS FOR THE ENLARGED GROUP

In accordance with Rule 28 of the AIM Rules for Companies, the Company has not included in this document historical information in respect of itself as is normally required by Section 18 of Annex I of the UK Prospectus Delegated Regulation.

The Company's historical reports and financial statements can be accessed on the Company's website at: www.advanceplc.com.

Financial information on Carnarvon Petroleum Timor for the period ended 31 December 2018, the year ended 31 December 2019 and the 10 month period to 31 October 2020 is set out in Part V of this document. Carnarvon Petroleum Timor was incorporated in Timor-Leste on 15 August 2018 as a wholly owned subsidiary of Timor-Leste Petroleum Pty Ltd, which is a wholly owned subsidiary of Carnarvon Petroleum Limited and, as at 31 October 2020, was a single entity with no subsidiaries.

The Directors are confident in the future prospects of the Enlarged Group and believe that they have identified and secured an interest in a project that has the potential for significant near term value creation. The Enlarged Group will also continue to seek to identify other acquisition or farm-in opportunities in discovered oil projects in line with its general strategy. Negotiations on such potential transactions are at various stages of progression, from reviewing data room information to entering into non-binding term sheets.

There can be no guarantee that these potential transactions will proceed and the scale and production status of some of the potential pipeline of transactions means that they may constitute further reverse takeovers under the AIM Rules. However, the Board consider that the Acquisition would provide a stronger platform to pursue these potential deals.

An unaudited pro forma statement of net assets for the Enlarged Group as at 31 October 2020, showing the impact of the Acquisition and the Placing on the Company, is set out in Section C of Part V of this document.

10. INFORMATION ON THE DIRECTORS AND SENIOR MANAGEMENT

Directors

Mark Andrew Rollins, aged 56 *(Non-Executive Chairman)*

Mark was, until recently, Chairman and CEO of Ukrnafta, the publicly-listed company responsible for a significant proportion of oil production in Ukraine, with over 20,000 employees. Between 2008 and 2015, he was a senior executive at BG Group plc, the former international E&P company; his final positions being Senior Vice President within the COO's office and managing BG Group plc's interests in Kazakhstan. His other experiences have included senior leadership positions across international E&P, midstream and downstream oil and gas, and deregulated utility sectors. Beginning his career as a Petroleum Engineer with Shell International, Mark holds a doctorate in Engineering Science from Oxford University, as well as a Masters in Mathematics from Cambridge University.

Leslie Stewart Peterkin, aged 67 *(Chief Executive Officer)*

Leslie has worked in the E&P sector during the past two decades as a senior Interim Manager and Advisor, initially in Australasia and more recently, based in Geneva, covering Europe, MENA, Central Asia and Africa. Key roles were as Woodside's Director Browse LNG Development and MOL's SVP Operations & Development. He entered the sector joining Shell International's Petroleum Engineering stream in the early 1980s with a variety of international postings. A decade with international independent oil companies followed and exposed him to both General Management and M&A, of which the latter has formed an important aspect of his ongoing E&P activities. He studied Physics at St. Andrews University, where a 1st Class Honours was followed by a PhD.

Stephen Paul West, aged 48 *(Chief Financial Officer)*

Stephen holds a Bachelor of Commerce (Accounting and Business Law) and is a highly experienced Fellow Chartered Accountant (CA ANZ) and CA (ICAEW) with over 26 years of financial and corporate experience gained in public practice, oil and gas, mining and investment banking. Stephen has held several senior positions in oil and gas, and mining companies including most recently at PetroNor E&P Limited (OSE: PNOR) where he was Executive Director and Chief Financial Officer until his resignation in February 2020 after being instrumental in the successful US$100 million merger of African Petroleum Corporation Ltd and PetroNor E&P Limited in August 2019 and the subsequent integration of the two companies. He was also previously a Non-Executive Director of Apollo Consolidated Limited (ASX: AOP). He is co-founder and current Non-Executive Chairman of Zeta Petroleum. Prior to 2002 Stephen worked in the banking sector including Barclays Capital London where he managed Global Finance Projects.

Ross Michael Warner, aged 53 *(Non-Executive Director)*

Ross is a lawyer and experienced company director of both private and public resource companies listed on AIM and the Australian Securities Exchange. He has also held senior corporate roles with Mallesons Stephen Jaques in Australia and Clifford Chance in the UK. He is currently Executive Chairman of Blue Star Helium Limited. He holds a Bachelor of Laws from University of Western Australia, and Master of Laws, University of Melbourne.

Larry Anthony Bottomley, aged 63 *(Proposed Non-Executive Director)*

Larry has 40 years of experience in the oil and gas industry, with a strong background in integrated geosciences and team management, having worked across a broad spectrum of exploratory and business development roles worldwide, in senior leadership roles with Perenco SA, Hunt Oil, Triton Energy and BP. Until June 2020, he served as Chief Executive Officer of Chariot Oil & Gas plc. He has a significant track record of building exploration and production businesses on the international stage, with expertise in the creation, development and delivery of significant drilling programmes that have led to the discovery of significant oil fields.

Stephen James Whyte, aged 55 *(Proposed Non-Executive Director)*

Stephen Whyte has over 33 years' experience in the oil and gas industry and was Chief Operating Officer at Galp Energia for three years and prior to that spent two years as senior vice president commercial at gas behemoth BG Group (LON:BG.) and 14 years at Royal Dutch Shell Group (LON:RDSB). Stephen Whyte is on the board of Echo Energy Plc. In his past career he was on the board of KazMunayGas NC JSC, Non-Executive Chairman at Sound Energy Plc, Non-Executive Chairman for Genel Energy Plc, Executive Director at Galp Energia SGPS SA and Chief Operating Officer at Petroatlantic Energy Corp. SA.

Senior Management

John Battrick, *Technical Manager*

John is a geoscientist who has worked in the E&P sector for five decades for a number of international oil companies. Although he has held several senior managerial positions in SE Asia, Africa, UK and USA ranging from Country Manager to Regional Exploration Manager to Chief Geologist, he has preferred hands on interpretation, spending the last twenty years consulting in South East Asia in new ventures and business building roles. In recent years he has been responsible for significant wealth creation for a number of clients identifying both exploration and development opportunities. He has a Master's degree from Imperial College, London.

Director and Senior Management interests in the Ordinary Shares

The Directors and senior management will hold the following interests in the Ordinary Shares immediately following the Capital Consolidation and on Admission:

Director/Senior Manager	*Number of Existing New Ordinary Shares*	*Accrued Director Fee Shares*	*Placing Shares*	*Number of New Ordinary Shares on Admission*	*Percentage of Enlarged Share Capital (%)*
Mark Rollins	13,983,333	5,804,320	9,615,500	29,403,153	2.86
Leslie Peterkin	13,883,333	5,804,320	6,923,500	26,611,153	2.59
Stephen West	879,920	4,063,670	–	4,943,590	0.48
Stephen Whyte[1]	391,266	–	–	391,266	0.04
Ross Warner	205,287	–	–	205,287	0.02
Larry Bottomley	–	–	–	–	–
Anthony John Battrick	6,666,666	–	–	6,666,666	0.65

1 Stephen Whyte's shareholding is held in the name of Nicola Louise Whyte.

11. DETAILS OF THE PLACING AND USE OF PROCEEDS

11.1 Principal terms of the Placing

Pursuant to the Placing, Tennyson Securities and Optiva Securities have conditionally raised £21.84 million (approximately US$30.03 million) (before expenses) for the Company though the placing of the Placing Shares with investors at the Placing Price conditional, among other things, upon the Resolutions being approved by Shareholders at the Extraordinary General Meeting and on Admission becoming effective by not later than 8.00 a.m. on 19 April 2021 (or such later date as Strand Hanson, Tennyson Securities and Optiva Securities may agree not being later than 30 April 2021).

The net proceeds of the Placing are estimated at £20.01 million (approximately US$27.51 million). The net proceeds will be used to fund the subscription by AETL for equity in Carnarvon Petroleum Timor which will be applied by Carnarvon Petroleum Timor to funding the drilling of the B-10 Appraisal Well and certain Buffalo PSC related costs and for the Company's general working capital needs.

The Directors are participating in the Placing by way of a subscription for a total of 16,539,000 Placing Shares, of which 9,615,500 Placing Shares are being subscribed for by Mark Rollins and 6,923,500 Placing Shares are being subscribed for by Leslie Peterkin. The subscription for Placing Shares by Mark Rollins and Leslie Peterkin is considered to be a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies. Accordingly, the independent directors, being all of the Directors except for Mark Rollins and Leslie Peterkin, consider, having consulted with Strand Hanson Limited (the Company's Nominated Adviser), that the terms of such subscription are fair and reasonable insofar as the Company's shareholders are concerned.

11.2 Use of Proceeds

The purpose of the Placing is primarily to raise proceeds to fund the subscription by AETL of equity in Carnarvon Petroleum Timor. It is intended that the subscription funds will be applied by Carnarvon Petroleum Timor to funding the drilling of the B-10 Appraisal Well and certain Buffalo PSC related costs. A summary of the intended use of proceeds of the Placing is shown in the table below:

Use of Net Proceeds	*US$m*	*£m*
Subscription by AETL for equity in Carnarvon Petroleum Timor	20.0	14.5
Provision for share of additional costs for the B-10 Appraisal Well, including mobilisation and demobilisation	2.5	1.8
General working capital	5.0	3.6
Total	27.5	20.0

11.3 Further details of the Placing

The Placing is conditional, *inter alia*, upon:

- the passing of the Resolutions;
- the Placing becoming unconditional in all respects (other than Admission) and not having been terminated in accordance with its terms; and
- Admission of the Enlarged Share Capital becoming effective by not later than 19 April 2021 (or such later time and/or date as Strand, Tennyson Securities and Optiva Securities may agree, not being later than 30 April 2021).

Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Placing will not proceed. A summary of the principal terms of the Placing Agreement is set out in paragraph 13.7 of Part VII of this document.

The Placing will result in the issue of in total 840,100,000 New Ordinary Shares (representing, in aggregate, approximately 81.75 per cent., of the Enlarged Share Capital). The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the New Ordinary Shares and therefore rank equally for all dividends or other distributions declared, made or paid after the date of issue of the Placing Shares. No temporary documents of title will be issued.

12. ADMISSION, SETTLEMENT AND DEALINGS

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on 19 April 2021. Definitive share certificates in respect of the Placing Shares will be dispatched on or before 30 April 2021.

13. CREST

The Company's Articles (and the Amended Articles) permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations. The system allows shares and other securities to be held in electronic form rather than paper form, although a Shareholder can continue dealing based on share certificates and notarial deeds of transfer. For private investors who do not trade frequently, this latter course is likely to be more cost-effective.

14. PROPOSED CAPITAL CONSOLIDATION

Admission is also conditional upon the approval and completion of the Capital Consolidation. At the date of this document there are 1,718,416,985 Existing Ordinary Shares in issue.

The Capital Consolidation, which will take place following (and conditional on) the passing of Resolution 5 to be proposed at the Extraordinary General Meeting, will involve every ten Existing Ordinary Shares on the Record Date being consolidated into one New Ordinary Share. The rights attached to the New Ordinary Shares will be the same as the rights attaching to the Existing Ordinary Shares and the New Ordinary Shares will trade on AIM in place of the Existing Ordinary Shares.

In accordance with the Articles (and the Amended Articles), the Board has decided that no Shareholder will be entitled to a fraction of a New Ordinary Share as a result of the Capital Consolidation and where any Shareholder would otherwise be entitled to a fraction only of a New Ordinary Share in respect of their holding of Existing Ordinary Shares on the date of the Extraordinary General Meeting (a "**Fractional Shareholder**"), such fractions will, in so far as possible, be aggregated with the fractions of New Ordinary Shares to which other Fractional Shareholders of the Company would be entitled so as to form full New Ordinary Shares ("**Fractional Entitlement Shares**"). These Fractional Entitlement Shares will be cancelled.

The provisions set out above mean that any such Fractional Shareholders will not have a resultant proportionate shareholding of New Ordinary Shares exactly equal to their proportionate holding of Existing Ordinary Shares, and as noted above, Shareholders with only a fractional entitlement to a New Ordinary Share (i.e. those Shareholders holding a total of fewer than 10 Existing Common Shares at the Record Date) will cease to be a Shareholder of the Company. Shareholders should be aware that if they hold fewer than

10 Existing Ordinary Shares on the Record Date, following the Capital Consolidation they will cease to be a shareholder in the Company and they will not be entitled to any New Ordinary Shares following the Capital Consolidation.

The Capital Consolidation will result in an issued share capital of up to 171,841,698 New Ordinary Shares prior to the issue and allotment of the Placing Shares and the Accrued Director Fee Shares. The final number of New Ordinary Shares in issue on Admission will be confirmed via a Regulatory Information Service announcement prior to Admission when the number of New Ordinary Shares to be cancelled pursuant to fractional entitlements resulting from the Capital Consolidation is known.

The Company will issue new share certificates to those Shareholders holding shares in certificated form to take account of the Capital Consolidation. Following the issue of share certificates in respect of the New Ordinary Shares, share certificates in respect of Existing Ordinary Shares will no longer be valid.

Existing Warrants and Options will also be consolidated such that every ten warrants/options to be consolidated into one (1) warrant/option and the exercise price of each warrant/option be amended in inverse proportion to this ratio.

15. OPTIONS, WARRANTS AND ACCRUED FEE ISSUES

Fee Shares and Warrants

On Admission, the Board intends to issue, in aggregate, 15,672,310 Accrued Director Fee Shares and 3,851,159 Accrued Fee Warrants to certain Existing Directors and senior management in lieu of accrued and unpaid fees during the period from February 2020 to March 2021 inclusive calculated on the basis of the Company's mid-market closing share price at the end of the relevant month in respect of the fees due for each monthly period (applying a price of 2.6p in respect of March 2021). From 1 April 2021, all Director remuneration is expected to be paid in cash.

In addition, the issue of Accrued Director Fee Shares in respect of fees due to Mark Rollins, Leslie Peterkin and Stephen West is considered to be a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies. Accordingly, the independent directors, being all of the Directors except for Mark Rollins, Leslie Peterkin and Stephen West, consider, having consulted with Strand Hanson Limited (the Company's Nominated Adviser), that the terms of such share issues are fair and reasonable insofar as the Company's shareholders are concerned.

Share Option Scheme

Share Option Agreements in agreed form have been provided to Stephen West, Leslie Peterkin, Mark Rollins, Ross Warner, Larry Bottomley, Stephen Whyte and John Battrick in respect of, in aggregate, 83,710,000 Options over New Ordinary Shares to be granted on Admission as further detailed in paragraph 6.2 of Part VII.

Share Options and Warrants

As at the date of this document, the Company has 167,000,000 Options (pre-Capital Consolidation) and 119,747,559 Warrants (pre-Capital Consolidation).

On Admission, the Company will issue, in aggregate, 45,553,120 Adviser Warrants exercisable at the Placing Price to certain advisers of the Company in respect of fees associated with the Proposals as further detailed in paragraph 6 of Part VII of this document.

On Admission, the Company will have a total of 100,410,000 Options (post Capital Consolidation) and 61,378,915 Warrants (post Capital Consolidation) in issue, further details of which are set out in paragraph 6 of Part VII of this document. Further details of the Corsair Share Issue Deed are set out in paragraph 13.4 of Part VII.

16. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

Lock-in and Orderly Market Agreements in respect of, in aggregate, 68,221,115 New Ordinary Shares to be dated on or around the date of Admission have been entered into by the (i) the Company, (ii) Strand

Hanson, (iii) Tennyson Securities (iv) Optiva Securities and (v) the Locked-In Shareholders , pursuant to which each Locked-In Shareholder has, conditional on Admission, undertaken as a separate undertaking to each of the Company, Strand Hanson, Tennyson Securities and Optiva Securities that, subject to certain limited exceptions, they will not dispose of, or agree to dispose of, Ordinary Shares held by them or on behalf of them for a period of 12 months from the date of Admission.

Each Locked-In Shareholder has also undertaken that for the period of 12 months following the anniversary of the date of Admission, subject to certain conditions, they will only dispose of Ordinary Shares held by them in consultation with Strand Hanson, Tennyson Securities and Optiva Securities (in order to maintain an orderly market in the Shares) and then through Tennyson Securities and Optiva Securities.

17. SHARE DEALING CODE

The Company has adopted a share dealing code which sets out the requirements and procedures for the Board and applicable employees' dealings in any of its AIM securities in accordance with the provisions of UK MAR and of the AIM Rules. Following Admission, the Company will take all reasonable steps to ensure compliance with the Company's share dealing code by the Directors, related parties and any relevant employees.

18. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and have undertaken to take account of the requirements of the QCA Code to the extent that they consider it appropriate having regard to the Company's size, board structure, stage of development and resources. The Board notes that all AIM companies must provide details on their corporate websites of the recognised code that they have decided to apply, how they comply with such code and, where the company departs from such code, an explanation of the reasons for doing so. From Admission, the Enlarged Group's website at www.advanceplc.com will set out the extent of any non-compliance with the QCA Code by the Enlarged Group on Admission.

The Board will, on Admission, comprise six Directors (including the Proposed Directors) of which two are executive and four are non-executive, including the Chairman, who is not deemed to be independent. The Board has significant experience in the oil & gas industry and of service on the boards of public companies. The Board considers Ross Warner, Larry Bottomley and Stephen Whyte to be independent non-executive directors.

The Board believes that the proposed Board composition is appropriate in light of the balance of skills and experience of its members and the Company's size at Admission, however it will monitor this position on an ongoing basis as the Enlarged Group grows and develops and seek to make appropriate changes or additions to the composition of the Board as necessary. The Board is satisfied that all Directors will have adequate time to fulfil their roles.

It is noted that the Company retains FIM Capital Limited ("**FIM**") to provide accounting and company secretarial services to the Group. FIM is responsible to the Company, *inter alia*, for general accounting and bookkeeping, preparation of monthly group summary financial information, and preparation of consolidated full year accounts for review by the Company's auditors. Their role and work is overseen by Stephen West, the Company's Chief Financial Officer, on a weekly basis. The CEO of FIM is Graham Smith (a former non-executive director of the Company), who he is supported by a team of five other accounting professionals. FIM was established in 2006 and provides specialist investment management and fund administration services to a range of private and institutional clients, including companies quoted on the London Stock Exchange. Based on the Isle of Man, FIM operates as an independent company, regulated by the Isle of Man Financial Services Authority and the UK Financial Conduct Authority.

From Admission, the Company will have a remuneration committee, an audit committee, a nominations committee and an AIM Rules and UK MAR Compliance Committee. Details of the responsibilities of each such committee are detailed below.

Remuneration Committee

The Remuneration Committee will determine the scale and structure of the remuneration of the executive Directors and approve the granting of options to Directors, senior employees and consultants and the

performance related conditions thereof. The Remuneration Committee will also recommend to the Board a framework for rewarding senior management, including executive directors, bearing in mind the need to attract and retain individuals of the highest calibre and with the appropriate experience to make a significant contribution to the Enlarged Group's development and ensure that the elements of remuneration packages are competitive and help in underpinning the performance-driven culture of the Enlarged Group. The Remuneration Committee will be chaired by Larry Bottomley, with its other member being Mark Rollins.

Audit Committee

The Audit Committee will receive reports from management and the external auditors relating to the interim report and the annual report and financial statements, review reporting requirements and ensure that the maintenance of accounting systems and controls is effective. The Audit Committee has and will continue to have unrestricted access to the Company's auditors. The Audit Committee will also monitor the controls which are in force for the Enlarged Group and any perceived gaps in the control environment. The Board believes that the size of the Enlarged Group will not justify the establishment of an independent internal audit department. The Audit Committee will be chaired by Stephen Whyte, with its other member being Ross Warner.

Nominations Committee

The Nominations Committee will be responsible for reviewing and making proposals to the Board on the appointment of directors, reviewing succession plans and ensuring that the performance of directors is assessed on an ongoing basis. The Nominations Committee will be chaired by Mark Rollins, with its other member being Stephen Whyte.

AIM Rules and UK MAR Compliance Committee

The AIM Rules and UK MAR Compliance Committee will monitor the Company's compliance with the AIM Rules and UK MAR and seek to ensure that the Company's Nominated Adviser is maintaining contact with the Company on a regular basis and vice versa. The committee will ensure that procedures, resources and controls are in place with a view to ensuring the Company's compliance with the AIM Rules and UK MAR. The committee will also ensure that each meeting of the Board includes a discussion of AIM matters and assesses (with the assistance of the Company's Nominated Adviser and other advisers, as appropriate) whether the Directors are aware of their AIM responsibilities from time to time and, if not, will ensure that they are appropriately updated on their AIM responsibilities and obligations. The AIM Rules and UK MAR Compliance Committee will be chaired by Ross Warner and its other member will be Larry Bottomley.

19. REGULATORY RIGHTS AND OBLIGATIONS

Disclosure, Guidance and Transparency Rules

The Amended Articles set out provisions such that shareholders are required to comply with Chapter 5 of the DTR and will be required to notify the Company of the percentage of their voting rights in the Company if the percentage of voting rights which they hold, directly or indirectly, reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent., and each 1 per cent. threshold thereafter up to 100 per cent. or reaches, exceeds or falls below any of these thresholds as a result of events changing the breakdown of voting rights.

Further details on Shareholders obligations under the Articles (and the Amended Articles) are set out in paragraph 4 of Part VII.

The Takeover Code

The Company is a public limited company incorporated in the Isle of Man and will be admitted to trading on AIM. Accordingly, the Takeover Code will apply to the Company, and as a result, Shareholders are entitled to the benefit of the takeover offer protections provided under the Takeover Code.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required by the Takeover Panel to make a general offer to all the remaining shareholders of that company to acquire their shares. Similarly, when any person, together

with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company and not more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, a general offer will normally be required in accordance with Rule 9.

An offer under Rule 9 must, *inter alia*, be made in cash (or be accompanied by a cash alternative) and at not less than the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the Company during the 12 months prior to the announcement of the offer.

Under the Takeover Code, a concert party arises when persons acting together pursuant to an agreement or understanding (whether formal or informal) cooperate to obtain or consolidate control of, or frustrate the successful outcome of an offer for, a company subject to the Takeover Code. Control means an interest or interests in shares carrying an aggregate of 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

Further information on the provisions of the Takeover Code can be found in paragraph 4.1 of Part VII of this document.

20. DIVIDEND POLICY

The strategy of the Directors is to generate capital growth for Shareholders. They will recommend the payment of dividends when it becomes commercially prudent to do so and then subject to the availability of distributable reserves and the retention of funds required to finance future growth. The Company has not issued dividends for the period covered by the historical financial information.

21. TAXATION

Information regarding certain taxation considerations for corporate and individual Shareholders in the United Kingdom with regard to Admission is set out in paragraph 14 of Part VII of this document. If an investor is in any doubt as to his or her tax position, he or she should immediately consult his or her own independent financial adviser. Investors subject to tax in other jurisdictions are strongly urged to contact their tax advisers about the tax consequences of holding the New Ordinary Shares.

22. EXTRAORDINARY GENERAL MEETING

The Notice convening the Extraordinary General Meeting is set out at the end of this document. The Extraordinary General Meeting has been convened for 9.00 a.m. (London time) on 16 April 2021 at the offices of the Company Secretary and the Registered Agent where the following Resolutions will be proposed to approve:

- the Acquisition, for the purposes of Rule 14 of the AIM Rules;
- the Placing;
- the Capital Consolidation; and
- the Amended Articles.

Resolutions 1, 2, 3, 4 and 5 are inter-conditional. Completion of the Acquisition, the issue of the Placing Shares, the re-admission of the Enlarged Share Capital to trading on AIM, the Capital Consolidation and the adoption of the Amended Articles is conditional, amongst other matters, on Shareholders passing Resolutions 1, 2, 3, 4 and 5. If Shareholders do not pass those Resolutions, the Acquisition, the issue of the Placing Shares, the re-admission of the Enlarged Share Capital to trading on AIM, the Capital Consolidation and the adoption of the Amended Articles will not proceed and the Directors will need to consider alternative options for the Company. The Company will have expended significant funds in pursuing the proposed transaction and would therefore incur significant abort costs and there can be no guarantee that a suitable alternative Re-admission Transaction and/or funding on similar commercial terms to the Placing can be obtained on a timely basis or at all. Accordingly, if Resolutions 1, 2, 3, 4 and 5

are not passed and a suitable alternative Re-admission Transaction and/or funding on similar commercial terms to the Placing cannot be obtained on a timely basis or at all, it is possible the Company may not be able to continue as a going concern and may ultimately be forced into administration.

23. ACTION TO BE TAKEN

A Form of Proxy is enclosed with this document for use by Shareholders in connection with the Extraordinary General Meeting. To be valid, completed Forms of Proxy must be received by FIM Capital Limited, as soon as possible and in any event so as to arrive not later than 9.00 a.m. (London time) on 14 April 2021.

In light of the ongoing COVID-19 pandemic, the holding of the Extraordinary General Meeting will be kept under review in line with Public Health guidance in the Isle of Man. However, based on current measures implemented by the Government in the Isle of Man, attendance at the Extraordinary General Meeting will be limited and shareholders may not attend in person. Shareholders wishing to vote on any matters of business are strongly urged to do so through the completion of a Form of Proxy.

The Chairman of the meeting will direct that voting on all Resolutions set out in the Notice will take place by way of a poll. The final poll vote on each resolution will be published immediately after the Extraordinary General Meeting on the Company's website.

The Government in the Isle of Man may change the current restrictions or implement further measures affecting the holding of general meetings during the affected period. Any changes to the arrangements for the Extraordinary General Meeting will be communicated to shareholders before the Extraordinary General Meeting through the Company's website at www.advanceplc.com.

24. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Parts II to VII (inclusive) of this document. You are recommended to read all the information contained in this document and not just rely on the key or summarised information. In particular Shareholders should read in full the Risk Factors set out in Part II of this document. The technical information contained in this document has been reviewed and approved by RISC. RISC has consented to the inclusion of the technical information in this document in the form and context in which it appears.

25. DIRECTORS RECOMMENDATION AND VOTING INTENTIONS

The Directors consider that the Proposals are in the best interests of the Shareholders and the Company as a whole and accordingly, the Directors recommend that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings of 61,554,449 Ordinary Shares, representing 5.99 per cent., of the Company's Existing Ordinary Shares.

Yours faithfully

Mark Rollins
Non-Executive Chairman

PART II

RISK FACTORS

Prospective investors should be aware that an investment in the Company is speculative and involves a high degree of risk. In addition to the other information in this document, the Directors consider the following risk factors are of particular relevance to the Company's activities and to any investment in the Company. It should be noted that this list is not exhaustive and that other risk factors not presently known or currently deemed immaterial may apply. Any one or more of these risk factors could have a materially adverse impact on the value of the Company and its business prospects and should be taken into consideration when assessing the Company. In such circumstances, investors could lose all or part of the value of their investment. The risks are not presented in any order of priority.

Potential investors are advised to consult a person authorised under FSMA who specialises in advising on investments of this kind before making any investment decisions. A prospective investor should carefully consider whether an investment in the Company is suitable in light of its personal circumstances and the financial resources available. Prospective investors should also consider carefully all of the information set out in this document and the risks attaching to the investment in the Company, including, in particular, the risks described below, before making any investment decision.

RISKS RELATING TO THE COMPANY'S BUSINESS AND ASSETS

Transaction Risk

In relation to the Proposals, Resolutions 1, 2, 3, 4 and 5 in respect are inter-conditional. Completion of the Acquisition, the issue of the Placing Shares, the re-admission of the Enlarged Share Capital to trading on AIM, the Capital Consolidation and the adoption of the Amended Articles is conditional, amongst other matters, on Shareholders passing Resolutions 1, 2, 3, 4 and 5. If Shareholders do not pass those Resolutions, the Acquisition, the issue of the Placing Shares, the re-admission of the Enlarged Share Capital to trading on AIM, the Capital Consolidation and the adoption of the Amended Articles will not proceed and the Directors will need to consider alternative options for the Company. The Company will have expended significant funds in pursuing the proposed transaction and would therefore incur significant abort costs and there can be no guarantee that a suitable alternative Re-admission Transaction and/or funding on similar commercial terms to the Placing can be obtained on a timely basis or at all. Accordingly, if Resolutions 1, 2, 3, 4 and 5 are not passed and a suitable alternative Re-admission Transaction and/or funding on similar commercial terms to the Placing can be obtained on a timely basis or at all, it is possible the Company will be unable to continue as a going concern and may ultimately be forced into administration.

The Company and AETL have entered into the Buffalo Escrow Agreement whereby the Escrow Agent will act as escrow agent in connection with the Escrow Documents for the completion arrangements under the Buffalo Subscription Agreement. Subject to the Resolutions being passed, at Admission, the Escrow Agent will arrange for the Escrow Documents to be dated and completion shall occur under the Buffalo Subscription Agreement. Following receipt by the Escrow Agent of copies of bank transfers showing that AETL has transferred or procured the transfer of the subscription amount payable under the Buffalo Subscription Agreement to the bank account of Carnarvon Petroleum Timor, the Escrow Agent will release the Escrow Documents. The Buffalo Escrow Agreement contains a termination date of 30 April 2021 (which can be extended up to 7 May 2021 as the parties agree and notify in writing) whereby if Admission has not occurred by that date, the Escrow Documents will be destroyed, and if Admission has occurred but payment has not been made, the parties shall agree to take all reasonable actions required to unwind the transaction under the Buffalo Subscription Agreement and Buffalo Equity Holders Agreement and AETL shall transfer the subscription Quota to CVNA for nil consideration. As a consequence, if, following Admission, AETL is unable to transfer or procure the transfer of the subscription amount payable under the Buffalo Subscription Agreement for any reason, the Acquisition would need to be unwound and the risks set out under the heading '*Status of the New Ordinary Shares on AIM and risks of cancellation*' below would also apply to such circumstance.

Funding obligation (including development CAPEX funding)

Under the Buffalo Subscription Agreement, if a Development Plan is approved, AETL will be obliged to source and arrange the funding of the development capital expenditure estimated to be in the region of

US$125 million (the "**Development Funding**"). This is expected to be funded by third party lending to Carnarvon Petroleum Timor (anticipated to represent around 70 per cent. of such funding) and a loan from AETL, or another member of the Advance Group (expected to represent around 30 per cent. of such funding), to Carnarvon Petroleum Timor (the "**Advance Loan**"). AETL (rather than Carnarvon Petroleum Timor or CVNA) is responsible for any financing costs in connection with such funding. Carnarvon Petroleum Timor is to bear the interest on such funding up to 10 per cent. per annum beyond which AETL is responsible for such amounts. AETL must procure and provide to CVNA fully documented, credit-approved Advance Loan documentation in a form ready for execution by the relevant parties by no later than 180 days after the parties agree a Development Plan (as defined in the Buffalo PSC). A failure to provide such funding would constitute a material breach of the Equity Holders Agreement and trigger the default provisions therein.

Default under the Buffalo Equity Holders Agreement occurs if any party fails to perform material obligations or, fails to pay material amounts due or becomes insolvent and a default notice is issued by a party to the agreement. A default by AETL would constitute a default the Buffalo Equity Holders Agreement which contains buy out provisions if a default occurs whereby a Quotaholder can force a defaulting Quotaholder to sell its Quotaholding at a discounted price of 75 per cent. of fair value as valued by an independent valuation. During any default period, the defaulting Quotaholder also loses various rights (including the rights to attend and vote at meetings, transfer its quota or reject the transfer by other Quotaholders). If AETL fails to make a payment, (which would include the Development Funding or any other ordinary funding obligations under the Buffalo Equity Holder's Agreement) or satisfy its material obligations under the Buffalo Subscription Agreement, the default provisions in the Buffalo Equity Holders Agreement apply.

The Company has provided a guarantee in respect of the AETL's obligations under the Buffalo Subscription Agreement save for those relating to the development capital expenditure funding. The guarantee is a principal obligation of the Company which continues until AETL's obligations under the Buffalo Subscription Agreement are terminated. The guarantee provisions do not include a cap on liability. Accordingly, if Advance is unable to procure the Development Funding in accordance with the terms of the Buffalo Equity Holders Agreement (or breaches any of the material terms or funding obligations under that agreement) it may be compelled to sell its entire interest in Carnarvon Petroleum Timor for 75 per cent. of its fair value.

The Buffalo Equity Holders Agreement includes cash call provisions whereby AETL is obliged to provide additional funding to Carnarvon Petroleum Timor if it receives a notice from Carnarvon Petroleum Timor requesting such additional funding. There is no cap on the amount that the request could be and payment must be made by the date provided in the notice. Under the Buffalo Subscription Agreement, the Company granted a guarantee to CVNA guaranteeing on demand the due and punctual performance of the obligations of AETL under the Buffalo Subscription Agreement, other than the obligation to secure the Development Capex. The guarantee provisions do not include a cap on the Company's liability.

The Buffalo Oil Field may extend outwith the area covered by the Buffalo PSC

As the Competent Person notes in its CPR, some of the Contingent Resources certified to lie within the Buffalo Oil Field may fall outwith the Buffalo PSC but no estimate is given as it would depend on various factors, such as the oil water contact point when production begins. The acreage to the East is open and the Buffalo Field is highly unlikely to be drilled from outwith the PSC and for any production there is no way of knowing whether that oil comes from outwith the Buffalo PSC. Furthermore there is no forced unitisation process in Timor-Leste. As such the Board considers the fact that the Buffalo Field extends outwith the PSC to the East to be moot and is comfortable in including the gross numbers in presenting its assessment of the Acquisition. However there is a risk that a certain amount of any oil produced from the Buffalo Oil Field and the application of the terms of the Buffalo PSC could be challenged in the future, with financial compensation being the likely remedy.

The Company may face significant competition for acquisition opportunities

There may be significant competition in some or all of the acquisition opportunities that the Company may explore. Such competition may for example come from strategic buyers, sovereign wealth funds, special purpose acquisition companies and public and private investment funds, many of which are well established and have extensive experience in identifying and completing acquisitions. A number of these competitors may possess greater technical, financial, human and other resources than the Company. The Company cannot assure investors that it will be successful against such competition. Such competition may cause

the Company to be unsuccessful in executing an acquisition or may result in a successful acquisition being made at a significantly higher price than would otherwise have been the case.

Third party contractors and providers of capital equipment

In common with most exploration and production companies, the Enlarged Group, or the relevant operator of assets in which it has an interest, may contract or lease services and capital equipment from third-party providers. Such equipment and services can be scarce and may not be readily available at the times and locations required.

In addition, there can be no guarantee that necessary equipment and services will be available at a reasonable cost in the future. The scarcity of such equipment and services, as well as their potentially high costs, could delay, restrict or lower the profitability and viability of the Enlarged Group projects and therefore have an adverse effect on its business.

Health, safety and environment

The Enlarged Group's operations are subject to laws and regulations relating to the protection of human health and safety as well as the environment. The Company's health, safety and environment policy is to observe local legal requirements as well as to apply recognized international standards in its operations. Failure by any member of the Enlarged Group, or the relevant operator of the assets in which it has an interest, to comply with applicable legal requirements or recognised international standards may give rise to significant liabilities.

Health, safety and environment laws and regulations may over time become more complex and stringent or the subject of increasingly strict interpretation or enforcement. The terms of licences or concessions may include more stringent environmental and/or health and safety requirements. The obtaining of exploration, development or production licences and permits may become more difficult or be the subject of delay by reason of governmental, regional or local environmental consultation, approvals or other considerations or requirements.

These factors may lead to delayed or reduced exploration, development or production activity as well as to increased costs.

Reliance on joint venture partners

The Acquisition is structured through an investment in a corporate entity, Carnarvon Petroleum Timor. As a result, the Group will not will have direct access to Petroleum from the Buffalo Field which will be for the benefit of Carnarvon Petroleum Timor. The Group will be reliant upon the management of Carnarvon Petroleum Timor to enter into Petroleum sales arrangements and to distribute proceeds in accordance with the Equity Holders' Agreement and subject to applicable laws on distributions. The Group will not control these processes (which will be decisions of the board as controlled by the shareholders) and there can be no assurance that they will be achieved on optimal economic terms or in a timely or tax efficient manner.

There is a risk that other shareholders in Carnarvon Petroleum Timor or other parties with interests in the Group's current or future assets or projects may elect not to participate in certain activities relating to Carnarvon Petroleum Timor or those assets or projects (as the case may be) and which require that party's consent. In these circumstances, it may not be possible for such activities to be undertaken by the Company alone or in conjunction with other participants at the desired time or at all.

Other participants may default on their obligations to fund capital or other funding obligations in relation to Carnarvon Petroleum Timor or these assets or projects. In such circumstances, the Group may be required under the terms of the relevant joint venture arrangements to contribute all or part of any such funding shortfall itself.

In addition, the Company may choose to farm-in to non-operated assets in the future. Accordingly, whilst in these circumstances the relevant operating agreement typically provides for a right of consultation or consent in relation to significant matters, the Company may have limited control over the day-to-day management or operations of those assets and would therefore be dependent upon the activities of the

operator of those assets. Any mismanagement of an asset by the operator could result in delays or increased costs to non-operated exploration, development or production activities that the Company may be involved with in the future.

The terms of any relevant operating agreement generally impose standards and requirements in relation to the operator's activities. Whilst the Company would only seek to acquire interests in assets that are operated by parties that it believes to be reputable, competent and sufficiently funded, there can be no assurance that an operator would observe such standards or requirements.

No guarantee is provided to the Company in respect of CVNA's obligations under the Buffalo Subscription Agreement. The Company is therefore exposed to the credit risk of its counterparty.

Counterparties

The Enlarged Group has entered, and may enter, into joint venture arrangements in order to pursue its projects. Any failure by the Enlarged Group's counterparties to comply with their contractual obligations (or their obligations arising under applicable laws) may have adverse consequences for the Enlarged Group.

Such delays or defaults or adverse pricing or other contractual terms could adversely affect the Enlarged Group's business, results of operations and cash flows.

The Enlarged Group has, or intends to, enter into agreements with a number of contractual counterparties in relation to the sale and supply of its hydrocarbon production volumes. The Enlarged Group is therefore subject to the risk of delayed payment for delivered production volumes or counterparty default.

In certain cases, any member of the Enlarged Group's counterparty, either legally or as a result of geographic, infrastructure or other constraints or factors, may be in practice the sole potential purchaser of such entity's production output. In such circumstances, such entity may be exposed to adverse pricing or other adverse contractual terms.

Retention and recruitment of skilled personnel and professional staff

The Enlarged Group's business requires skilled personnel and professional staff in the areas of exploration and development, operations, engineering, business development, oil and gas marketing, finance and accounting. There is competition for such personnel globally and in the South- East Asia region. Limitations on the Enlarged Group's ability to hire and train the required number of personnel would reduce its capacity to undertake further projects and may have an adverse impact on its operations, results and growth.

There are a limited number of persons with the requisite experience and skills to serve in the Enlarged Group's management positions. Should any existing member of the management team leave the Enlarged Group, the Enlarged Group may not be able to locate or employ qualified executives on acceptable terms. In addition, if the Enlarged Groups competitors offer, for instance, better compensation or working conditions, the Enlarged Group could potentially lose some of its key managers. If the Enlarged Group cannot attract, train and retain qualified managers, the Enlarged Group may be unable to successfully manage its growth or otherwise compete effectively in the oil and gas industry, which could adversely affect its business.

PSC licensing and other regulatory requirements

The Enlarged Group's activities in the countries in which it operates, or intends to operate, are subject to, *inter alia,* PSCs, regulations and approvals of governmental authorities including those relating to the exploration, development, operation, production, marketing, pricing, transportation and storage of oil and gas, taxation and environmental and health and safety matters. The Enlarged Group has limited control over whether or not necessary approvals of licences (or renewals thereof) are granted, the timing of obtaining (or renewing) such licences or approvals, the terms on which they are granted or the tax regime to which it or assets in which it has interests will be subject. As a result, the Enlarged Group may have limited control over the nature and timing of development and exploration of oil and gas fields in which it has or seeks interests. Upon the expiry of licences, contractors may be required, under the terms of relevant licences or local law, to dismantle and remove equipment, cap or seal wells and generally make good production sites.

Subject to the terms of the licence or contract the Company's accounts may make provision for this decommissioning and such funds may be delivered, together with the equipment, to the government or relevant counterparty at the conclusion of the relevant licence or contract.

Market conditions

Market conditions may have a negative impact on the Enlarged Group's ability to execute investments in suitable assets which generate acceptable returns. There is no guarantee that the Enlarged Group will be successful in sourcing suitable assets or making any investments in assets at all.

Interest rates

Until such time as all of the net proceeds of the Placing are applied by the Company to fund acquisitions, the unapplied portion of the net proceeds will be held by the Company in anticipation of future acquisitions and to meet the running costs of the Company. Such deposits are likely to yield very low interest rates and lower returns than the expected returns from an investment. The Company can give no assurance as to how long it will take it to source additional transactions, if at all, and the longer the period the greater the likely impact on the Company's performance, financial condition and business prospects.

Costs associated with potential acquisitions

The Company expects to incur certain third-party costs associated with the sourcing of suitable assets. The Company can give no assurance as to the level of such costs, and given that there can be no guarantee that negotiations to acquire any given assets will be successful (for example, the Company may fail to complete a proposed acquisition because it has been outbid by a competitor or does not meet the sellers' internal hold value), it may be left with substantial unrecovered transaction costs, including legal, financial, advisory or other expenses, including general and administration costs, which could have a material adverse effect on the financial condition and prospects of the Company. The greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Company's performance, share price, financial condition and business prospects.

Due diligence process

The Enlarged Group intends to conduct such due diligence as it deems reasonably practicable and appropriate, based on the facts and circumstances applicable to each potential project, before making an acquisition. The objective of the due diligence process will be to identify material issues which might affect an acquisition decision. When conducting due diligence and making an assessment regarding an acquisition, the Enlarged Group will be required to rely on resources available to it, including, in the main, data provided by the vendor, public information and, in some circumstances, third party investigations. As a result, there can be no assurance that the due diligence undertaken with respect to any potential project will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such project. Further, there can be no assurance as to the adequacy or accuracy of information provided during any due diligence exercise or that such information will be accurate and/or remain accurate in the period from conclusion of the due diligence exercise until the desired investment has been made. Due diligence may also be insufficient to reveal all of the past and future liabilities relating to the operations and activities of the target, including but not limited to liabilities relating to litigation, breach of environmental regulations or laws, governmental fines or penalties, pension deficits or contractual liabilities.

Valuation error

In assessing the consideration to be paid for an acquisition, the Directors, amongst other things, expect to rely on market data, industry statistics and industry forecasts consisting of estimates compiled by industry professionals, organisations, analysts or publicly available information. Industry publications generally state that their information is obtained from sources they believe to be reliable but that the accuracy and completeness of such information is not guaranteed and that the forecasts or projections they contain are based on a number of significant assumptions. Although the Company intends to use sources that are believed to be reliable, it may not always have access to the underlying information, methodology and other bases for such information and may not have independently verified the underlying information and, therefore, cannot guarantee its accuracy and completeness. Accordingly, errors in any of the assumptions

or methodology employed by a third party in preparing a report on which the Company may place reliance may materially adversely affect the Company's valuation and therefore returns on any acquisition, business, results of operations, financial condition and prospects.

Long-term nature of investments

While an investment may be sold by the Enlarged Group at any time, it is not generally expected that this will occur for a number of years after such an acquisition is made. Investments in oil and gas assets and companies are best suited for long-term investors.

Illiquid nature of the Company's investment

Return of capital to Shareholders and the realisation of gains, if any, generally will occur only upon the partial or complete disposal of an investment, or ultimately the Company itself, which is likely to be several years after first investment.

The Buffalo Equity Holders Agreement contains contractual pre-emption rights if a Quotaholder wishes to Transfer all or part of its Quota to another (who is not an Affiliate). While pre-emption is not unusual, it can erode a holder's ability to maximise value on a disposal as potential bidders may be put off engaging in due diligence and formulating an offer. The provisions are relatively brief and, in these circumstances, there may be some uncertainty on certain matters, such as the treatment of shareholder loans. In addition, if pre-emption is not exercised, there are no restrictions on the third parties to which a shareholder can transfer its pre-emption rights.

Increased pressure to reduce emissions

There is increasing concern about climate change and the link between global warming and carbon emissions generated directly and indirectly by oil and gas activities. Certain pressure groups wish oil and gas to be replaced with other energy sources which generate lower emissions. In the medium to long term should energy generators and consumers switch to new forms of energy, including renewables, there will be a corresponding reduction in demand for oil and gas. Market sentiment towards oil and gas companies may be negatively impacted by both government regulation and by activism reducing available capital along with demand for the Company's shares from both the public and institutions.

Cyber risks

The Enlarged Group is at risk of financial loss, reputational damage and general disruption from a failure of its information technology systems or an attack for the purposes of espionage, extortion, terrorism or to cause embarrassment. Any failure of, or attack against, the Enlarged Group's information technology systems may be difficult to prevent or detect, and the Enlarged Group's internal policies to mitigate these risks may be inadequate or ineffective. The Enlarged Group may not be able to recover any losses that may arise from a failure or attack.

RISKS RELATING TO THE OIL AND GAS INDUSTRY

The Enlarged Group's projects will be subject to the normal risks of oil and gas projects, and such profits as may be derived from such projects are subject to numerous factors beyond the Enlarged Group's control. Certain of these risk factors are discussed below.

Hydrocarbon prices

Historically, hydrocarbon prices have been subject to large fluctuations in response to a variety of factors beyond the Enlarged Group's control. Accordingly, the Enlarged Group can give no assurance that hydrocarbon prices will not decline further in the future. Lower hydrocarbon prices may reduce the economic viability of the Enlarged Group and/or its projects, result in a reduction in revenues or net income, impair the Enlarged Group's ability to make planned expenditures and could materially adversely affect the Enlarged Group's business, prospects, financial condition and result of operations.

Reserve and resource estimates

Any future reserve and/or resource figures relating to future projects will be estimates and there can be no assurances that the reserves or resources are present, will be recovered or that they can be brought into profitable production. Reserves and resources estimates may require revisions based on actual production experience. Estimating the amount of hydrocarbon reserves and resources is a subjective process and, in addition, results of drilling, testing and production subsequent to the date of an estimate may result in revisions to original estimates. Furthermore, a decline in the market price for commodities produced by projects that the Enlarged Group may invest in could render remaining reserves uneconomic to recover and may ultimately result in a restatement of reserves.

Exploration risks

Exploration activities are capital intensive and inherently uncertain in their outcome. There is therefore a risk that the Enlarged Group or the operators of exploration assets in which it has interests will undertake exploration activities and incur significant costs in so doing with no assurance that such expenditure will result in the discovery of hydrocarbons, whether or not in commercially viable quantities. If exploration activities prove unsuccessful over a prolonged period of time, the Enlarged Group may not, after twelve months from the date of this document, have sufficient working capital to continue to meet its obligations and its ability to obtain additional financing necessary to continue operations may also be adversely affected.

The exploration and development of any projects in which the Enlarged Group may have invested may be disrupted, damaged or delayed by a variety of risks and hazards which are beyond the control of the Enlarged Group. These include (without limitation) geological, geotechnical and seismic factors, environmental hazards, technical failures, adverse weather conditions, "acts of God" and government regulations or delays.

Production

Production operations of the Enlarged Group or by operators of assets in which it has interests involve risks normally incident to such activities, including blowouts, oil or chemical spills, explosions, fires, equipment damage or failure, natural disasters, adverse weather conditions, mechanical failures or delay, governmental regulations or delays, geological uncertainties, unusual or unexpected rock formations and abnormal pressures. The occurrence of any of these events could result in environmental damage, injury to persons and loss of life, failure to produce oil or gas in commercial quantities or an inability to fully produce discovered reserves. Consequent production delays and declines from normal field operation conditions can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, during the oil and gas project development phase additional risks may also include, but are not necessarily limited to, unforeseen licensing and construction costs (including cost escalations), land acquisition negotiations and costs, commissioning delays, forestry and other permitting delays, costs and fees. These may adversely affect the timing of any project, the Enlarged Group's financial position or the results of operations for potential oil and gas projects.

Problems in any one PSC or other concession could have a material adverse impact upon the Enlarged Group.

Ability to exploit successful discoveries

It is possible that a project which the Enlarged Group may have acquired or in which the Enlarged Group may have invested may not be able to exploit commercially viable discoveries in which it holds an interest. Exploitation may require external approvals or consents from relevant authorities and the granting of these approvals and consents is beyond the Enlarged Group's control. The granting of such approvals and consents may be withheld for lengthy periods, not given at all, or granted subject to the satisfaction of certain conditions which the project the Company may have acquired or in which the Enlarged Group may have invested cannot meet. As a result of such delays, the project the Enlarged Group may have acquired or in which the Enlarged Group may have invested may incur additional costs, losses of revenue or part or all of its equity in a licence.

Interruptions in availability of exploration, production or supply infrastructure

The Enlarged Group, may in the future, be reliant upon government and third party owned pipelines and processing facilities for the export of its oil and gas products to local and international markets. These facilities are not owned or operated by the Enlarged Group. As such, the Enlarged Group's oil and gas production levels may be adversely affected by events relating to such infrastructure, including obtaining governmental approvals or consents, repairs and maintenance, planned and un-planned shut-downs, civil conflict and terrorism, regulatory changes, competition from other suppliers and other operational matters which are unrelated to the performance of the Enlarged Group's oil and gas fields and beyond its control.

Such interruptions or delays may have a material adverse effect on the Enlarged Group's business, financial condition, prospects, results and/or future operations.

Land rights

The Enlarged Group's oil and gas production activities in the countries in which it operates or intends to operate may be subject to obtaining the land rights or registrations it needs to pursue its projects.

Equipment failure

There is a risk of equipment failure due to, amongst other factors, wear and tear, design error or operator error which could have a material adverse effect on the Enlarged Group's operations and, in turn, the Enlarged Group's financial performance.

Volatility of prices

The supply, demand and prices for commodities are volatile and are influenced by factors beyond the Enlarged Group's control. These factors include global demand and supply, exchange rates, interest rates and inflation rates and political events. With increased pressure to reduce GHG emissions by replacing fossil fuel energy generation with zero emission energy generation it is possible that peak demand for oil will be reached, and, as a result, oil price will be adversely impacted as and when this happens. A significant prolonged decline in commodity prices could impact the viability of some or all of the exploration, development and producing projects which the Enlarged Group may propose to acquire. Additionally, production from geographically isolated countries may be sold at a discount to current market prices.

Corporate and regulatory formalities

Conducting exploration, development, production or other oil and gas activities has or will involve the requirement to comply with various procedures and approval formalities. It may not in the future be possible to comply or obtain waivers of all such formalities. In the case where it is not possible for the Enlarged Group to comply, or it cannot obtain a waiver, in relation to an asset that it has acquired, that asset may incur a temporary or permanent disruption to its activities and a loss of part or all of its interest in a lease or licence.

Climate change and related regulation

Many participants in the oil and gas sector are large users of energy. Various regulatory measures aimed at reducing emissions and improving energy efficiency may affect the Enlarged Group's operations and acquisition opportunities. Policy developments at an international, regional, national and subnational level, including those related to the 2015 Paris Agreement and emissions trading systems, such as the Emissions Trading System of the European Union, could adversely affect the Enlarged Group's profitability if projects that it invests in have material greenhouse gas-intensive and energy-intensive assets.

In addition, the impact of climate change on any of the Enlarged Group's potential acquisitions is uncertain and will depend on circumstances at individual operating sites. These may increase costs, reduce production levels or otherwise impact the results of operations of the Enlarged Group's acquisitions.

The Company expects emission costs to increase from current levels beyond 2021 and for regulations targeting reduced emissions to have a wider geographical application than today. There is continuing uncertainty over the detail of anticipated regulatory and policy developments, including the targets, mechanisms and penalties to be employed, the timeline for legislative change, the degree of global

cooperation among nations and the homogeneity of the measures to be adopted across different regions. This ambiguity, in turn, creates uncertainty over the long-term implications for the Enlarged Group's expected projects and operating costs and the constraints the Enlarged Group may face in order to comply with any such new regulations. For example, to meet regulatory targets imposed in the future, the Enlarged Group may be required to adopt new technological solutions for its assets within a limited timeframe to reduce GHG emissions, and there can be no assurance that the Enlarged Group would be successful in making such adaptions.

The emergence of new technologies that disrupt the oil and gas sector, or a gradual shift towards alternative fuels

The oil and gas sector is dominated by large national and supermajor oil and gas companies, including Exxon, Shell, BP and Total, which possess significant cash and financial resources and class-leading technological expertise. These and other competitors are continuously investing substantial amounts in research, development and innovation. In addition, world-leading technology and automotive companies, such as Apple, Google and Tesla, are also conducting extensive research into new, potentially disruptive, technologies, such as the electrification and automation of motor vehicles and ground-breaking battery technologies, which could have a significant impact on demand for oil-based products worldwide if they were to be widely adopted.

This global research effort is, in part, in response to a trend in demand towards greater fuel efficiency and a shift to alternative fuels, prompted by heightened environmental-awareness among governments and consumers. There is a risk that greater-than-expected improvements in fuel efficiency over the near-term, whether due to technological advancements or more stringent regulation, could lower demand for diesel and gasoline. For example, automakers globally have, over recent years, significantly improved the efficiency of conventional internal combustion engines through technological innovation, and have developed increasingly competitive hybrid and fully-electric motor vehicles. Some countries offer programs that seek to incentivise the use of more environmentally-friendly vehicles by offering subsidies or tax breaks or by directly banning the use of vehicles using conventional petroleum-based fuels beyond a certain year. Legislative changes could also be accompanied by, or serve to accelerate, a shift in consumer preference towards alternative fuels due to increased environmental awareness and the improved competitiveness of "green" technologies.

Moreover, the emergence of one or more disruptive technologies that rapidly accelerate the pace of change, or suddenly alter the direction of change, could have a negative impact on the Enlarged Group's long-term strategy. There can be no assurance that the Enlarged Group would be successful in adjusting its business model in a timely manner to anticipate, or react to, changes in demand resulting from changes in legislation, technologies, consumer preference or other market trends, and its failure to do so could have a material adverse effect on the Enlarged Group's strategy, financial condition, results of operations and prospects.

Fiscal and other risks derived from government involvement in the oil and gas industry

The governments of countries in which the Enlarged Group currently operates or may operate have exercised and continue to exercise significant influence over many aspects of their respective economies, including the oil and gas industry. The Timor-Leste Government has exercised and will continue to exercise significant influence over many aspects of its economy, including the oil and gas industry. Any government action concerning the economy, including the oil and gas industry, such as a change in oil or gas pricing policy (including royalties), exploration and development policy, or taxation rules or practice, or renegotiation or nullification of existing concession contracts, could have a material effect on the Enlarged Group. Furthermore, there can be no assurance that these governments will not postpone or review projects or will not make any changes to laws, rules, regulations or policies, in each case, which could materially and adversely affect the Enlarged Group's financial position, results of operations or prospects.

Environmental regulation

Environment and safety legislation (such as in relation to plugging and abandonment of wells, discharge of materials into the environment and otherwise relating to environmental protection) may affect the Enlarged Group's ability to make or pursue investments and may change in a manner that may require more strict or additional standards than those currently in effect, a heightened degree of responsibility for companies and

their directors and employees and more stringent enforcement of existing laws and regulation. There may also be unforeseen environmental liabilities resulting from oil and gas activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential clean-up costs and obligations and liability for toxic or hazardous substances, for which a company may become liable, as a result of its activities, may be impossible to assess against the current legal framework and current enforcement practices of the various jurisdictions. Consequently, the economic impact on the Enlarged Group's profitability is difficult to assess.

Assessing future abandonment expenditure

When assessing assets for acquisition, the Enlarged Group will assume certain obligations in respect of the decommissioning and abandonment of wells, fields and related infrastructure. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and will require the Company to make provisions for and/or underwrite the liabilities relating to such decommissioning. It is difficult to forecast with any accuracy the future costs the Enlarged Group will incur in satisfying such decommissioning obligations. When such decommissioning costs crystallise on assets acquired, the Enlarged Group will be jointly and severally liable for them with other former or current partners in the field. If such partners default on their obligations, the Enlarged Group could remain liable and its decommissioning liabilities could be magnified significantly through such default. Any significant increase in the actual or estimated decommissioning costs that the Enlarged Group may incur could have a material adverse effect on its business, financial condition, results of operations and prospects.

Some of the provisions in the PSC relating to decommissioning are not entirely clear. Under article 6 of the Buffalo PSC, at the start of Commercial Production, Carnarvon Petroleum Timor must prepare and implement a Decommission Plan and establish a Decommissioning Fund in accordance with the Applicable Law in Timor-Leste. The account must be set up in the name of, and at a financial institution approved by the Ministry. Carnarvon Petroleum Timor is to ensure that sufficient funds exist to carry out Decommissioning. In the event of an assignment or transfer when a Decommissioning Fund has been created under the PSC, the account or total deposit of the assignor or transferor in the account holding the Decommissioning Fund must be transferred to the assignee or transferee by the assignor or transferor. While similar decommissioning provisions can be found in production sharing agreements elsewhere in the world, the fact that the relevant financial institution/bank does not need to fulfil minimum requirements and that the account will be held in the name of the Ministry with seemingly no control by the Contractor over the account, may give rise to concerns that the necessary funds in the reserve account to pay for the decommissioning activities at the relevant time may not be available at all or that there is a shortfall and it is not clear from the provisions who will be responsible for such a shortfall under these circumstances. However, since the Contractor has to ensure that sufficient funds exist, this obligation may fall on Carnarvon Petroleum Timor. Also, the transfer of the Decommissioning Fund to a transferee of an interest under the PSC does not seem to absolve the Contractor from its Decommissioning obligations to the Ministry under the PSC. Further, it is not clear from the provisions of the PSC how the Contractor's Decommissioning activities will be paid for out of the Fund (which is in the Ministry's name and therefore under its control) or otherwise.

Risks associated with operating in Timor-Leste

The performance of the Timor-Leste economy and the economies of the Southeast Asia region have been relatively volatile, and there can be no assurance that anticipated levels of growth of such economies or of their energy requirements will in fact materialise. There is also significant political instability in Timor-Leste, although the offshore petroleum industry is largely insulated from political developments onshore. The sector has been largely developed by private funding and not state spending, which reduces the impact of governments failing to pass budgets during periods of political deadlock. Recent disagreements between the two major political parties regarding the development of the Greater Sunrise field, however, shows that the petroleum industry is not immune to the impacts of political infighting. It is noted that the Buffalo PSC is subject to the risks associated with less politically stable jurisdictions and ultimately the Enlarged Group's interest in the Buffalo PSC is subject to risk of expropriation or nationalisation activities that may reduce or impact its interest in the Buffalo PSC or its value.

The Company will be reliant on a functioning insurance market

The Enlarged Group intends to maintain a programme of insurance to cover exposure up to recognised industry limits. However, in the future, there may not be sufficient cover available at economic rates in conventional markets to insure all of the Enlarged Group's potential liabilities. Operational insurance policies are usually placed in one-year contracts and the insurance market can withdraw cover for certain risks which can greatly increase the costs of risk transfer. Such increases are often driven by factors unrelated to the Enlarged Group. In addition, insurers may come under pressure from activists to withdraw their support for the oil and gas industry reducing the underwriting capacity and increasing the cost of cover to potentially un-economic levels.

The Company may be at risk from uninsured hazards and/or uninsured liabilities

The Enlarged Group may be subject to substantial liability claims due to the inherently hazardous nature of its business or for acts and omissions of sub-contractors, operators or joint venture partners. Any indemnities the Enlarged Group may receive from such parties may be difficult to enforce if such sub-contractors, operators or joint venture partners lack adequate resources. Although the Enlarged Group intends to maintain insurance in accordance with industry practice, there may be circumstances where the Enlarged Group does not have, or cannot obtain, insurance to cover certain risks at a reasonable market premium, including business interruption insurance. In addition, there can be no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover the relevant losses or liabilities. Accordingly, the Enlarged Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage that may have a material adverse effect on the Enlarged Group's business.

Market risk

The scale of production from a development of a discovered oil and gas resource will be dependent upon factors over which the Enlarged Group has no control such as market conditions at that time, access to, and the operation of, transportation and processing infrastructure, the available capacity levels and tariffs payable by a particular project entity for such infrastructure and the granting of any licences or quotas that a particular project entity may require from the relevant regulatory authority. All of these factors may result in delays in production and additional costs for a particular project or, ultimately, a reduction in expected revenues for the Enlarged Group. Therefore, there is a risk that the Enlarged Group may not make a commercial return on its investment.

Labour disruptions

There is a risk that strikes or other types of conflict with unions or employees may occur at any one of the Enlarged Group's investments or in any of the geographic regions in which the Enlarged Group owns assets. Any labour disruptions could increase operational costs and decrease revenues by delaying the business activities of the Enlarged Group's investments or increasing the cost of substitute labour, which may not be available. Furthermore, if such disruptions are material, they could adversely affect the Enlarged Group's results of operations, cash flows and financial condition.

Competition

The oil and gas industry is very competitive and the Enlarged Group will face competition for potential investments and in the countries within which it will conduct its investment activities. Some of the Enlarged Group's competitors have access to greater financial and technical resources than the Enlarged Group and a greater ability to borrow funds to acquire assets. Competition for attractive investment opportunities may lead to higher asset prices which may affect the Enlarged Group's ability to invest on terms which the Directors consider attractive. Such conditions may have a material adverse impact on the Enlarged Group's ability to secure attractive investment opportunities and consequently may have an adverse effect on the net asset value and the market price of the Ordinary Shares.

RISKS RELATING TO THE ORDINARY SHARES

Status of the New Ordinary Shares on AIM and risk of cancellation

Shareholders should be aware that if Advance were to be required to unwind the Acquisition pursuant to the Buffalo Escrow Agreement or default pursuant to the Default Buyout Clause and be required to sell its Quotaholding, it is expected that, were it not to hold any other material assets at such time, the Company

would likely become a cash shell pursuant to AIM Rule 15 on completion of such process or sale without the consent of shareholders as required by AIM Rule 15. As such, it would then be required to make an acquisition, or acquisitions, which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission under the AIM Rules for Companies) within six months from the Completion Date or alternatively seek to become an investing company pursuant to AIM Rule 8, which requires, *inter alia*, the raising of at least £6 million and publication of an admission document. In the event that the Company does not complete a reverse takeover under AIM Rule 14 within such six month period or seek re-admission to trading on AIM as an investing company pursuant to AIM Rule 8 (either being, a "**Re-admission Transaction**"), the Company's ordinary shares would be suspended from trading pursuant to AIM Rule 40. Thereafter, if a Re-admission Transaction has not been completed within a further six month period, admission to trading on AIM of the Company's New Ordinary Shares would be cancelled and accordingly, in such circumstances, there is a risk that the Company's New Ordinary Shares will cease to be admitted to trading on AIM.

Liquidity of Ordinary Shares

Notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. The market for shares in smaller public companies is less liquid than for larger public companies. Therefore, an investment in the Ordinary Shares may thus be difficult to realise. The Ordinary Shares will not be listed on the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List. The price of the Ordinary Shares may be volatile, influenced by many factors, some of which are beyond the control of the Company, including the performance of the overall share market, other Shareholders buying or selling large numbers of Ordinary Shares, changes in legislation or regulations and general economic conditions.

Investment risk

The value of an investment in the Company could, for a number of reasons, go up or down. There is also the possibility that the market value of an investment in the Company may not reflect the true underlying value of the Company.

A change of control of the Company could trigger adverse consequences in certain commercial contracts to which members of the Group are party (whether triggering the ability to terminate such agreement, pre-emption/transfer rights, or the acceleration of contingent obligations under such agreement).

Distributions to Shareholders

Investors should note that payment of any future dividends will be at the discretion of the Board after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs. Pursuant to the Act, dividends may only be declared and paid if the Company has passed the defined Solvency Test under the Act that is that the directors have decided the Company can meet its debts as they fall due immediately after the distribution and that the assets of the Company are greater than its liabilities.

In addition, the Company's ability to pay distributions to Shareholders depends on the earnings and cash flows of the companies it invests in and their ability to pay the Company distributions and to repatriate funds to it. Other contractual and legal restrictions applicable to the Company and its investments could also limit its ability to obtain cash from them. If there are changes to accounting standards or to the interpretation of accounting standards, this could have an adverse impact on the Company's ability to pay dividends. The Company's right to participate in any distribution of its investee companies' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of such companies' creditors, including lenders and trade creditors.

Investor profile

The Placing will be marketed to institutional and sophisticated investors seeking capital appreciation. An investment in the Ordinary Shares is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise from that investment (taking into account the fact that those losses may be equal to the whole amount invested). Such an investment should be seen as medium to long term in nature and complementary to

existing investments in a range of other financial assets and should not form a major part of an investment portfolio. The value of shares can go down as well as up, any dividend returns can fluctuate widely and investors may not realise the value of their initial investment.

GENERAL RISKS

Financing

The Company's business involves significant financial expenditure. The only sources of financing currently available to the Company are through the issue of additional equity capital or through bringing in partners to fund exploration and development costs. The Company's ability to raise further funds will depend on the success of existing and acquired investments. The Company may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, the Company may be required to reduce the scope of its investments or anticipated expansion. Further, Shareholders' holdings of Ordinary Shares may be materially diluted if debt financing is not available in the future, and any incremental debt financing may involve restrictive covenants, which may limit the Company's operating flexibility. An inability to obtain sufficient funding may adversely affect the Company's business, results of operations and cash flows. It is anticipated that any development capital funding will include an equity component which may materially dilute shareholders' holdings of Ordinary Shares. In addition, shareholders may be further diluted through the exercise of the Warrants and Options, or any other warrants, options or convertible securities issued by the Company.

Legal systems

Some of the countries in which the projects in which the Enlarged Group may invest in could have legal systems that are less well developed than the UK. This could result in risks such as: (i) potential difficulties in obtaining effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and (v) relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

There may be a disconnect between the legal systems governing joint venture arrangements and other commercial contracts that the Enlarged Group enters and the legal system of the underlying assets. The Buffalo Equity Holders Agreement and Buffalo Subscription Agreement are entered into under Australian law, however, the subject matter that they seek to regulate is a Timor-Leste company. Whilst the Buffalo Equity Holders Agreement should apply as between the parties to that agreement, this may not have effect as a matter of Timor-Leste law and, for example, actions prohibited under the agreement (such as passing a resolution that requires Unanimous Decision without unanimity) or the contractual rights to appoint directors) may not be consistent with or binding under Timor-Leste law. However, in such circumstances, the parties may nevertheless have contractual remedies against each other under such commercial agreements.

Political, economic, legal, regulatory and social risk

The Enlarged Group's operations are exposed to the political, economic, legal, regulatory and social risks of countries in which it operates or intends to operate, namely Timor-Leste, the Isle of Man and the United Kingdom. These risks potentially include expropriation (including "creeping" expropriation) and nationalisation of property, instability in political, economic or financial systems, uncertainty arising from undeveloped legal and regulatory systems, corruption, civil strife or labour unrest, acts of war, armed conflict, terrorism, outbreaks of infectious diseases, prohibitions, limitations or price controls on hydrocarbon exports and limitations or the imposition of duties on imports of certain goods.

Some of the countries in which the Enlarged Group operates or intends to operate have transportation, telecommunications and financial services infrastructures that may present logistical challenges not associated with doing business in more developed locales. Certain governments in other countries have in the past expropriated or nationalised property of hydrocarbon production companies operating within their jurisdictions. Sovereign or regional governments could require the Company to grant to them larger shares of hydrocarbons or revenues than previously agreed to.

Once the Enlarged Group has established hydrocarbon exploration and/or production operations in a particular country, it may be expensive and logistically burdensome to discontinue such operations should economic, political, physical, or other conditions subsequently deteriorate. All of these factors could materially adversely affect the Enlarged Group's business, results of operations, financial condition or prospects.

United Kingdom exit from the European Union

Following a national referendum and enactment of legislation by the UK government, the UK formally withdrew from the European Union on 31 January 2020 and following a transition period, the UK and the European Union entered into a UK-EU Trade and Cooperation Agreement (the "**Withdrawal Agreement**") on 30 December 2020 to govern their future relationship. Significant political and economic uncertainty remains concerning the implementation of the Withdrawal Agreement, and this may have a significant adverse effect on global economic conditions and the stability of global financial markets. Asset valuations, currency exchange rates and credit ratings may be particularly subject to increased market volatility. Any of these factors could have a significant adverse effect on the Company's business, financial condition, results of operations and prospects.

Developments in global financial markets

There can be no assurances that financial conditions in the global financial markets will not worsen or adversely affect the Enlarged Group's then prevailing financial position and performance or, indeed, those of its investments.

Taxation risk

Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the Ordinary Shares or the investments held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Company and its investors are based upon tax law and practice at the date of this document, which is subject to change. Investors should seek specialist taxation advice and should not rely on the terms of this document.

Whilst the Directors will use their reasonable endeavours to structure the Enlarged Group's investments to comply with local laws and regulations, as well as with a view to mitigating the tax effect of local tax regulations, there can be no guarantee that laws and regulations which may adversely impact the Enlarged Group's ability to realise its investments will apply to some or all of the Enlarged Group's investments. In such circumstances, the Enlarged Group's ability to invest in assets in the target countries without suffering a material and adverse effect on its investments may be affected.

Given the Enlarged Group's overseas presence, it is possible that any return the Company receives from it may be reduced by irrecoverable foreign withholding or other local taxes and this may reduce any net return derived by investors from a shareholding in the Company.

The Company is aware of the economic substance regulations which have been brought into force in the Isle of Man through the Income Tax (Substance Requirements) Order 2018. It is possible that, in future accounting periods, changes may have to be made to certain management functions or processes in order for the Company to be able to satisfy the substance requirements. The implications of the economic substance regulations will be monitored by the Company as the nature of the Company's activities develops.

Force majeure

The Company's proposed projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, earthquakes, explosions or other catastrophes, epidemics or quarantine restrictions, which may have a material adverse effect on the Company's future financial condition and results.

PART III

COMPETENT PERSONS REPORT

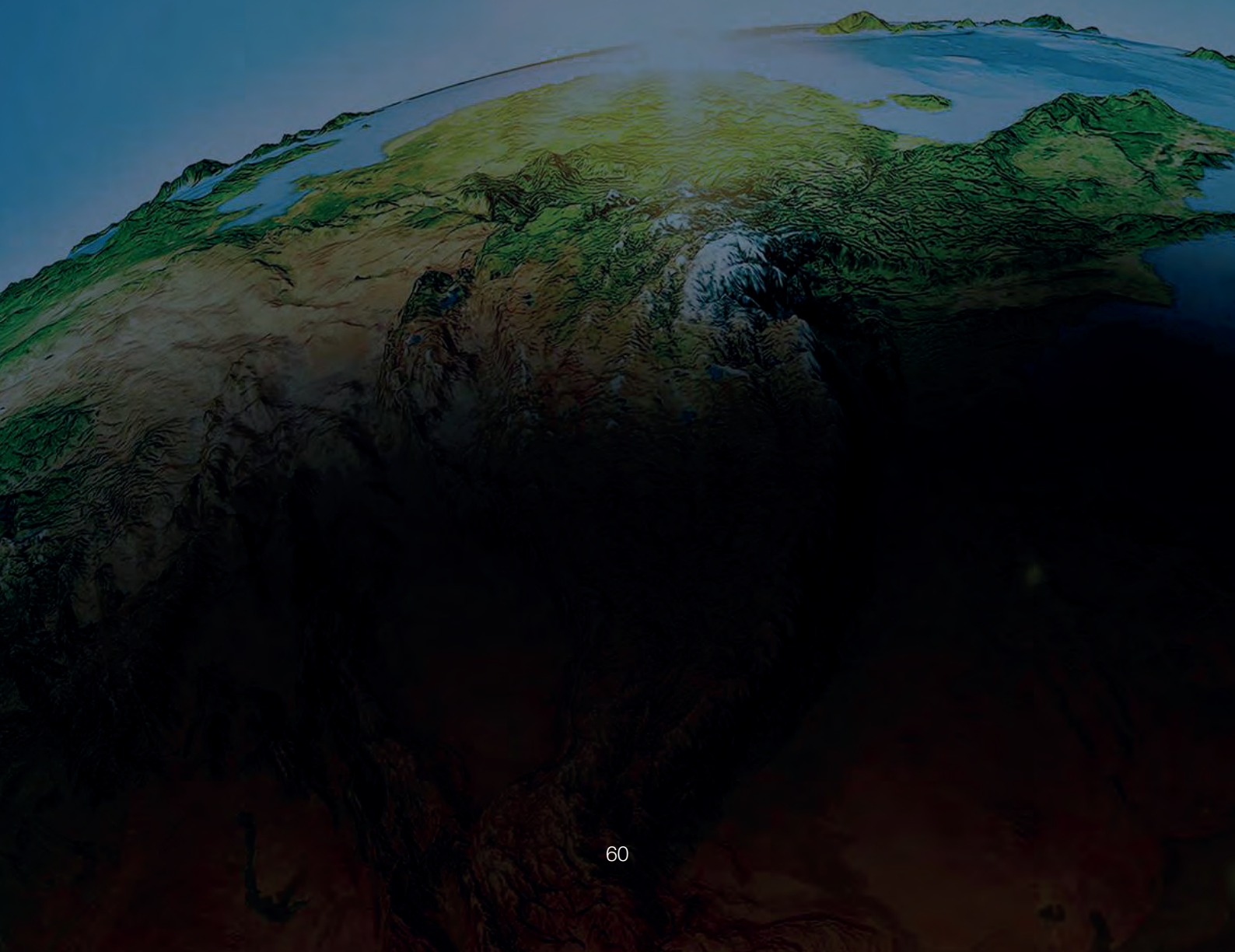
RISC

decisions with confidence

Competent Person Report – Buffalo Development

For Advance Energy plc and Strand Hanson Ltd

March 2021



At the request of Advance Energy plc and Strand Hanson Limited, RISC has prepared this Competent Persons Report (CPR) relating to the Buffalo oil field re-development operated by Carnarvon Petroleum. The CPR has been prepared for inclusion in an Admission Document to be sent to shareholders of Advance Energy plc and to be available on the company's website. It has been prepared in accordance with the AIM Note for Mining, Oil and Gas Companies, which forms part of the AIM Rules for Companies, as published by the London Stock Exchange. The resource volume assessments are reported in compliance with the definition and guidelines set out in the 2018 Petroleum Resource Management System (PRMS).

There are no material changes to resources or values evaluated at 31 December 2020 or to the analysis and opinions expressed in this CPR.

Peter Stephenson

RISC Partner

23 March 2021

1. Executive Summary

The Buffalo oil field was discovered in 1996 by BHP and produced 20.5 MMstb of light oil between 1999 and 2004. It was developed using four production wells with gas lift, drilled from a wellhead platform (WHP) in 25 m water depth with fluid processing and storage on an FPSO. The original development has been fully abandoned and decommissioned.

Carnarvon Petroleum acquired 100% of the WA-523-P Exploration Permit including the Buffalo field in May 2016, reprocessed the 3D seismic and remapped the field. Improved seismic imaging shows that the crest of the field is further east than previously mapped and drilled in the original development. Re-mapping has identified the opportunity to re-develop the field.

The original WA-523-P Exploration Permit was located in Australian federal waters. However, a Maritime Boundary Agreement signed between Australia and East Timor moved a portion of the original WA-523-P Exploration Permit to Timor-Leste waters and exclusive jurisdiction was ratified on 30 August 2019. The Timor Leste portion, including the Buffalo field, is held 100% by Carnarvon Petroleum Timor, Unipessoal Lda ("Carnarvon Petroleum Timor") as a new Production Sharing contract (TL-SO-T19-14, the "Buffalo PSC")). Advance Energy TL Limited ("AETL") has signed the Buffalo Subscription Agreement to subscribe for up to 50% of the equity in Carnarvon Petroleum Timor resulting in an indirect interest in the Buffalo PSC and Buffalo re-development project.

The exploration phase of the Buffalo PSC expires 26 May 2023 (following a one year extension granted to Carnarvon Petroleum Timor) and may be followed by an exploration extension or 25 year development and production period.

RISC has independently reviewed the subsurface evaluation, development plans, costs, schedule and economics as detailed in this Competent Person Report. Resources in Table 1-1 are classified as Contingent Resources, sub-class "development pending".

Table 1-1: Summary of contingent resources for Buffalo Field in PSC TL-SO-T19-14 as at 31 December 2020

Oil contingent resources and development NPV	Contingent Resources (MMstb)			NPV_{10} (US$million at 31/12/2020)		
	1C	2C	3C	1C	2C	3C
Gross (100% Field)	16.0	34.3	62.8	-	-	-
PSC contractor net Entitlement (100%)	12.2	25.0	44.4	140	339	611
Net indirectly attributable to AETL (50% contractor)	6.1	12.5	22.2	69	169	305

Notes:

1. "Gross" are 100% of the field resources some of which may fall outside the Buffalo PSC.
2. "Contractor Net" are attributable to contractor under terms of the PSC.
3. "Net indirectly attributable to ATEL" is the proportion attributable to AETL's equity in Carnarvon Petroleum Timor. ATEL interest in Carnarvon Petroleum Timor post subscription farm-in is to be confirmed.
4. Associated gas will be consumed in operations with limited surplus volumes flared.
5. Contingent resources are economic and an economic cut-off has been applied. RISC estimate the probability of development to be 86%.

In PSC's the contractors net entitlement is derived from cost and profit oil as dictated by the terms of the PSC. The remaining oil is the property of the Government. Carnarvon Petroleum Timor is currently the 100%

contractor. ATEL's equity in Carnarvon Petroleum Timor will depend on the subscription funds raised. Table 1-1 indicates the position assuming ATEL subscribes for 50% of the equity in Carnarvon Petroleum Timor, which would be achieved if they contribute US$20 million which is expected to fully fund the appraisal well.

The project economics shown in this report are the unrisked project NPVs for the contractor of the PSC. They should not be taken as fair market value which needs to consider other factors such as project maturity, uncertainty and probability of development.

Gross resource volumes are slightly altered from previous estimates by the economic cut-off applied (see section 5.3).

A Buffalo-10 appraisal well is planned to be drilled in 2H 2021. The intention is that this well will confirm the depth of the remapped crest of the field and will be suspended and subsequently completed as an oil producer.

A number of development options are being considered using existing available Floating Production Storage and Offtake units (FPSO) or Mobile Oil Production Units (MOPU). This analysis has assumed development using the appraisal and two additional development wells drilled using a jack-up rig with wellheads on a leased MOPU and oil storage and transfer via a leased Floating Storage and Offtake vessel (FSO). RISC estimate project FID in early 2022 after the appraisal well results are known, with first oil by January 2024, although an earlier date may be possible. Development costs for this option are estimated to be US$145 million including US$69 million for appraisal and development wells. This equates to a development Capex of less than 4 $/stb. Annual average operating costs are estimated to be US$60 million per year with some reduction for reduced maintenance in the last two years of field life.

If appraisal demonstrates a low case or 1C outcome the number of development wells and facility capacity will be adjusted to optimise a smaller development. Contingent resources can be reclassified as reserves post project sanction. However, the contingent resources in Table 1-1 are likely to be updated post appraisal and the uncertainty range reduced. Post appraisal key issues to be resolved prior to project approval are joint venture support to progress the development, project funding and acceptable commercial arrangements to secure the MOPU, FPSO and/or FSO facilities.

Table of contents

List of figures

List of tables

2. Introduction

2.1. Asset description

The Buffalo oil field is located in the northern Bonaparte Basin in the Timor Sea, between the Australian mainland and the island of Timor Leste. Oil fields located nearby include the Laminaria, Corallina, Jahal, Kuda Tasi and Kitan oil fields (Figure 2-1).

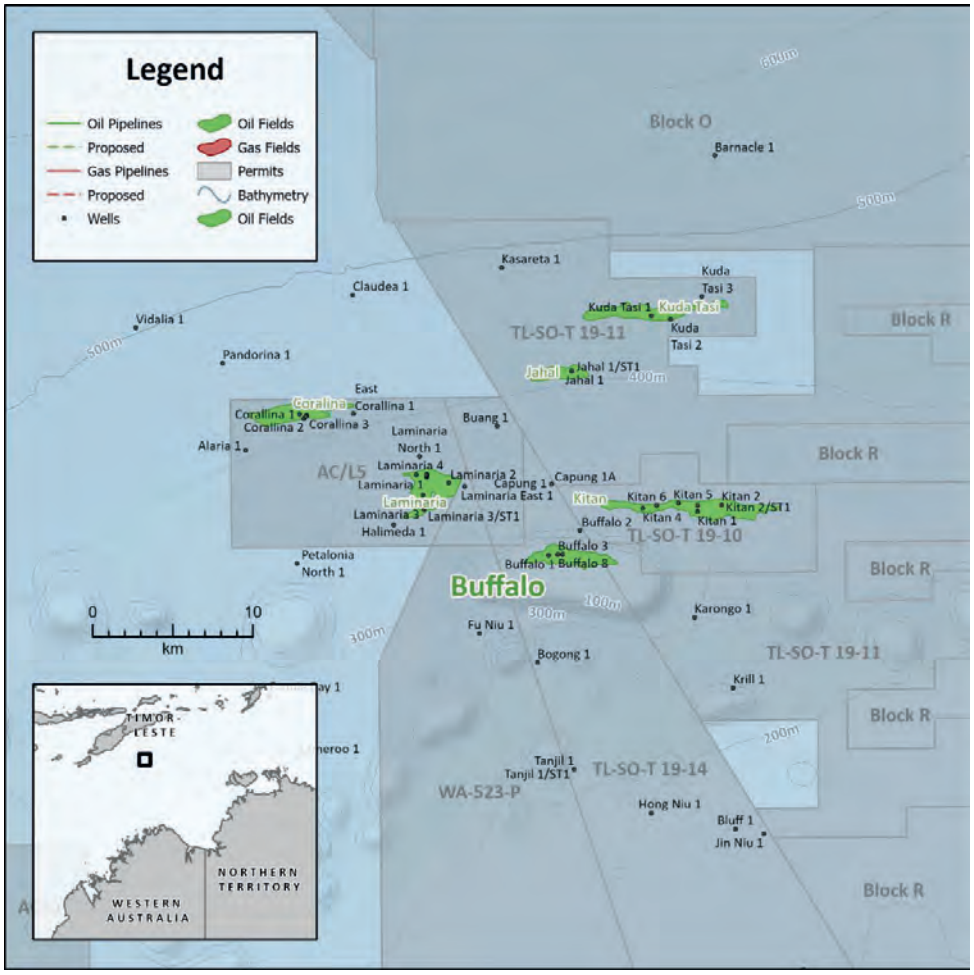


Figure 2-1: Location map

The Buffalo oil field was discovered in 1996 by BHP and produced 20.6 MMstb of light oil between 1999 and 2004. It was developed using four production wells with gas lift, a Well Head Platform ('WHP') in 25 m water depth and a Floating Production Storage and Offtake ('FPSO') vessel. The original development has been fully abandoned and decommissioned.

Carnarvon Petroleum acquired the 4,220 km^2 WA-523-P Exploration Permit 100% in May 2016, including the Buffalo field, following a successful work program bid on the W15-2 Release Area as part of the Australian 2015 Federal Offshore Release Round. The work program consisted of 3D reprocessing and geological studies plus one exploration well to be drilled by May 2023, having been deferred 1 year following an extension granted to Carnarvon Petroleum Timor.

Carnarvon Petroleum reprocessed the 3D seismic utilising Full Waveform Inversion ('FWI') and remapped the field. Improved seismic imaging as a result of the FWI shows that the crest of the field is located further east than previously mapped and identified the opportunity to re-develop the field.

Following the mapping of the field on the newly reprocessed seismic data, Carnarvon Petroleum undertook geological static modelling and simulation studies to determine if redevelopment of the field was possible. This work showed that if the interpretation of an un-drilled attic was correct, a redevelopment of the field was possible. RISC undertook an audit of this re-evaluation and certified Contingent Resources in August 2017, with a 2C contingent resource within permit of 31.1 MMstb.

The original WA-523-P Exploration Permit was located entirely in Australian Federal waters. However, a Maritime Boundary Agreement signed between Australia and Timor Leste on 6 March 2018 resulted in a portion of the original WA-523-P Exploration Permit becoming Timor-Leste waters (Figure 2-2). Exclusive jurisdiction was ratified on 30 August 2019. The Timor Leste portion, including the Buffalo field, is held as a new Production Sharing Contract ('PSC') TL-SO-T19-14 (the 'Buffalo PSC').

As part of the maritime boundary change treaty, parties that were affected by the boundary change were to be guaranteed security of title and the preservation of rights and conditions afforded under Australian jurisdiction. Following the agreement of the maritime boundary change Carnarvon Petroleum negotiated the new PSC with both the Australian and Timor Leste regulators. In addition to the Buffalo PSC, a 'Buffalo Decree Law' and the Timor Leste petroleum law govern the title.

The assets covered by this CPR are shown in Table 2-1. The Buffalo PSC has the following periods:

- An exploration period of 6 years commencing 27 May 2016 and expiring 26 May 2023 following a one year extension granted to Carnarvon Petroleum Timor
- An option to extend the PSC for up to two five periods of five years subject to an agreed minimum work programme
- A development and production period of 25 years, subject to submission and approval of a Development Plan.

Table 2-1: Summary Table of Assets

Asset	Operator	Interest	Status	Licence Expiry date	Licence Area (km2)	Comments
Buffalo PSC, TL-SO-T19-14, Timor Leste	Carnarvon Petroleum Timor Unipessoal Lda	100%	Exploration PSC	26/05/2023	1347.5	25 year development and production period upon dev plan application/approval

The Buffalo PSC is deemed to have commenced on 27 May 2016 in conjunction with the WA-523-P Exploration Permit. The work program commitments for Years 1 to 3 of both WA-523-P and the Buffalo PSC are deemed to have been satisfied, and the remaining work program commitments for both titles is shown in Table 2-2. The prior WA-523-P well commitment and associated planning has been transferred to the Buffalo PSC. The seismic acquisition for Year 6 remains with WA-523-P.

A Buffalo-10 well is planned to be drilled on the field to confirm the attic structural interpretation and to determine the current oil-water contact in the field.

Carnarvon Petroleum was granted approval of a drilling environmental plan by the Australian National Offshore Petroleum Safety and Environmental Management Authority ('NOPSEMA') on 14 May 2019 for a period of three (3) years. This has been duly acknowledged and accepted by the Timor Leste regulator.

Table 2-2: Asset work program commitment summary

Period	WA-523-P Exploration Permit	TL-SO-T19-14 PSC
Year 4: 27 May 2019 – 26 May 2020	Nil	G&G studies
Year 5: 27 May 2020 – 26 May 2021	Nil	Well planning and Long Lead studies. Environmental plan.
Year 6: 27 May 2021 – 26 May 2022	210 km^2 broadband seismic acquisition. PSDM and FWI processing.	1 well[#1]
#1: extension to 26 May 2023 granted to Carnarvon Petroleum Timor		

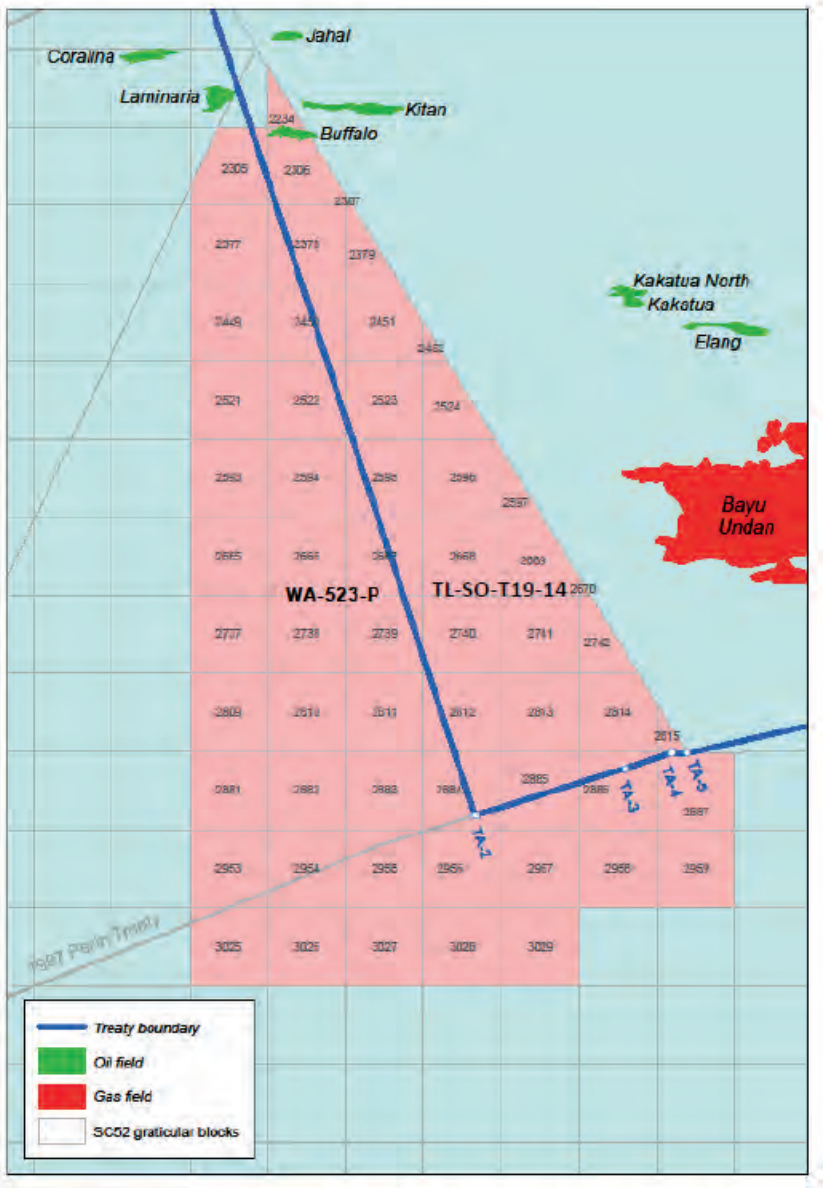


Figure 2-2: Map showing the original WA-523-P permit area, the Maritime Boundary change and the new PSC TL-SO-T19-14.

2.2. Terms of reference

RISC was commissioned by Advance Energy plc ("Advance") to provide a Competent Persons Report on the Buffalo re-development to support an AIM admission. This included an independent subsurface, development and project economics evaluation. The work has been completed in consultation with Strand Hanson who are acting as nominated advisor in connection with the AIM admission.

2.3. Basis of assessment

The data and information used in the preparation of this report were provided by the Operator, Carnarvon Petroleum Timor supplemented by public domain information and RISC's database. RISC has relied upon the

information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments as supplied making adjustments that in our judgment were necessary.

RISC has reviewed the reserves/resources in accordance with the Society of Petroleum Engineers internationally recognised Petroleum Resources Management System (PRMS).

RISC's methodology was to review deterministic and probabilistic resource evaluation carried out by Carnarvon Petroleum Timor, modify some of the inputs to conform to our views and update the resource estimation. Details of the findings of our review and the resource estimation process are presented in this report.

RISC has also reviewed and adjusted the production forecasts and costs prepared and provided by Carnarvon Petroleum Timor. The resources presented in this report are based on long term oil price projections of US$35 to US$65/bbl real terms. We have used the mid-point value of US$50/bbl real terms for the economic cut off for production and associated resource volumes.

Unless otherwise stated, all resources presented in this report are gross (100%) quantities within the Buffalo field with an effective date of 31 December 2020. All costs are in US$ real terms with a reference date of 2020 (RT2020).

We have not conducted a site visit and do not consider it appropriate or necessary as the development has not taken place.

3. Buffalo Field Evaluation

3.1. Regional information

The Democratic Republic of Timor Leste, which forms the eastern half of the Island of Timor, gained independence from Indonesia in 2002. As a result, Timor Leste's oil and gas industry is small with limited technical experience but does have two projects of note, Bayu Undan and Greater Sunrise.

The largest project has been the offshore Bayu Undan field which was discovered in 1995 and was subsequently developed and started production in 2004, with ConocoPhillips as operator. The gas produced from the field comes ashore to an LNG plant in Darwin, Australia. Timor Leste has regulated the project and supplied some offshore personnel and support facilities. ConocoPhillips' interest in the field was acquired by Australia's Santos in March 2020.

Revenues from Bayu Undan have provided the bulk of the country's oil and gas revenues, which make up approximately 95 percent of Timor Leste's income, and fed the country's sovereign wealth fund.

The Greater Sunrise project, which straddles Timor Leste and Australian waters (following the settlement of the maritime boundary by the two countries in 2018) is operated by Woodside, with Timor Leste holding a majority position as a result of acquiring stakes from ConocoPhilips and Shell, its former partners in the project, in 2018. It is a gas and condensate field discovered in 1974 and now estimated to contain estimated 2C resources of 5.13 tcf dry gas and 225.9 million barrels of condensate.

3.1.1. Regional Geology

The Cambrian to recent Bonaparte Basin is a fan-shaped hydrocarbon-bearing basin extending over 270,000 km^2 in the north-western offshore and onshore Australia (Figure 3-1). The basin contains up to 15 km of sediments and has a multi-phase history, comprising the southern Palaeozoic and northern Mesozoic depocentres. The latter forms part of the Westralian Super-basin. The Bonaparte Basin adjoins the Browse Basin to the west and the Money Shoals Basin to the northeast. The Timor Trough defines its northern boundary. The basin developed as a v-shaped, north-opening rift during the Devonian to Early Carboniferous.

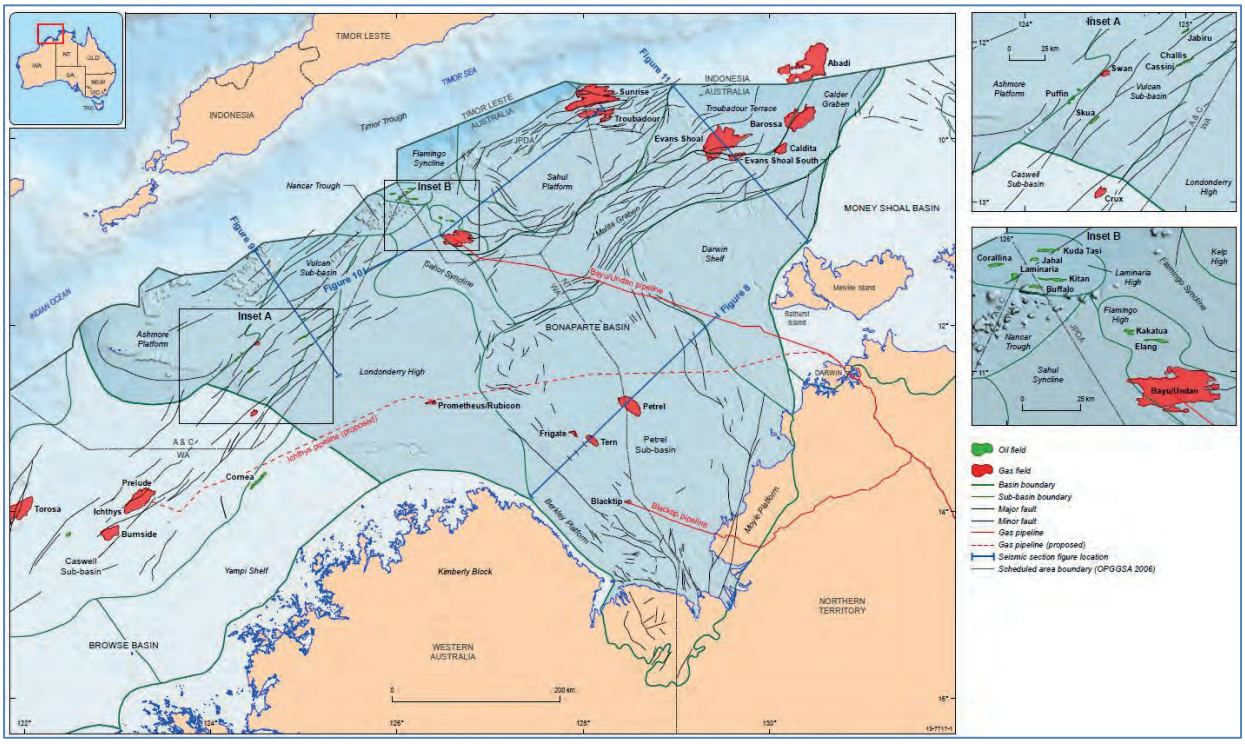


Figure 3-1: Structural elements of the Bonaparte Basin

The basin developed during two phases of Palaeozoic extension and Late Triassic compression prior to the onset of Mesozoic extension. Initial rifting occurred in the Late Devonian (NW-trending Petrel Sub-basin) and was orthogonally overprinted in the Late Carboniferous to Early Permian by north-east trending rift basins (proto-Malita and proto-Vulcan depocentres). Regional north-south compression in the Late Triassic resulted in widespread uplift and erosion, and, together with salt tectonics, produced inversion structures and anticlines in the Petrel Sub-basin. Erosion and collapse of these uplifted areas led to the widespread deposition of Lower to Middle Jurassic 'redbeds' and fluvio-deltaic clastics. Late Jurassic extension resulted in a series of linked, north-east trending (Vulcan Sub-basin, Malita and Calder Grabens) and south-east trending (Sahul Syncline) intracontinental grabens.

The Jurassic depocentres contain thick marine mudstones flanked by fan delta sandstone deposits. A thick post-rift Cretaceous to Tertiary succession is dominated by fine-grained clastic and carbonate facies. Late Miocene to Pliocene convergence of the Australian and Eurasian plates resulted in flexural down-warp of the Timor Trough and widespread reactivation of the previous extensional fault systems.

The most prospective part of the Bonaparte Basin includes the Vulcan Sub-basin, Laminaria-Flamingo High and northern Sahul Platform. The Late Jurassic marine section is the major source interval in the outboard grabens, together with Middle-Lower Jurassic marine shales and coastal plain coals. In the Petrel Sub-basin the main sources are postulated Lower Carboniferous marine shales and Permian coastal plain coals and pro-delta shales.

Reservoirs range in age from Carboniferous to Permian in the Petrel Sub-basin and Londonderry High, Triassic to Cretaceous in the Vulcan Sub-basin and Jurassic in the northern parts of the basin. Fault seal breach is one of the main risks in the western part of the basin.[1]

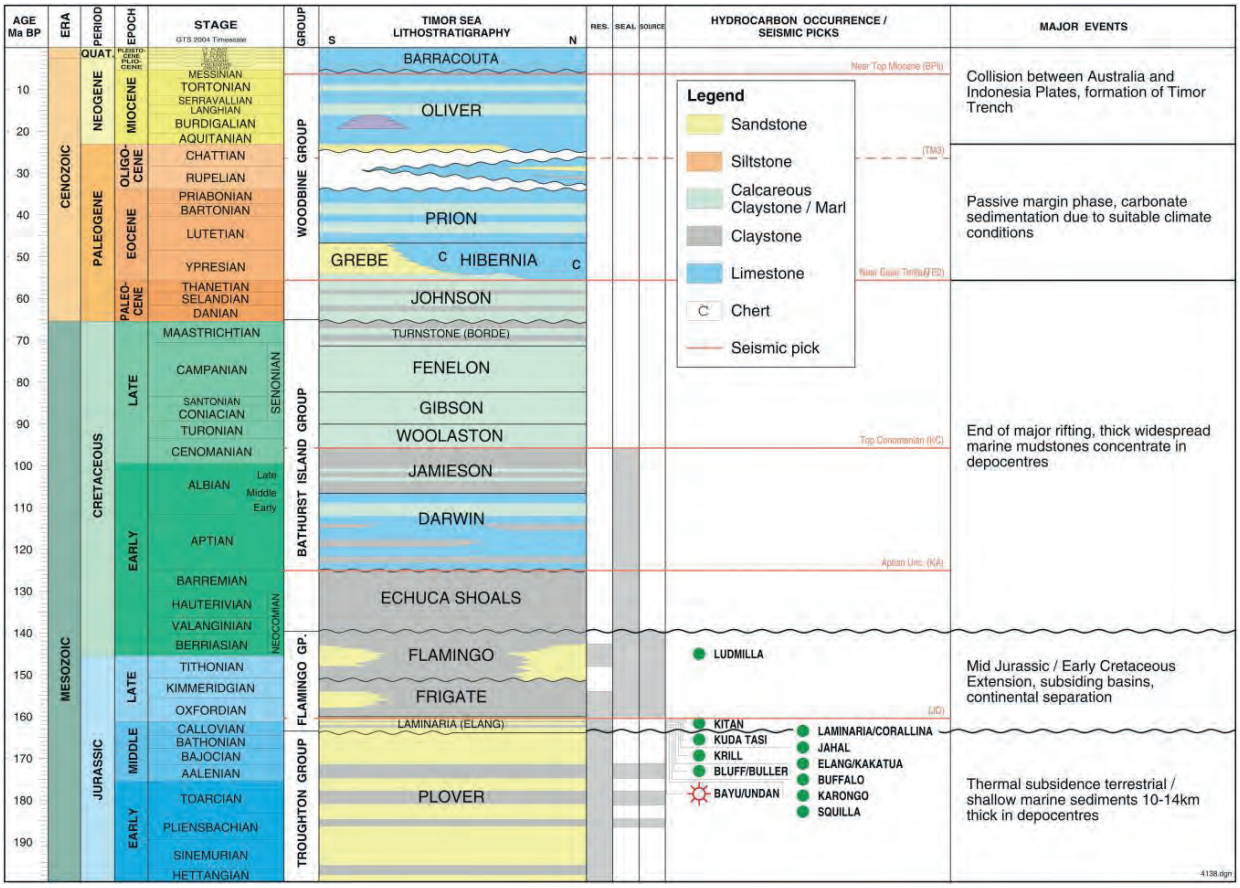


Figure 3-2: Northern Bonaparte Stratigraphy[2]

3.1.2. Field history

Buffalo-1 was drilled in 27.2 m water depth during September 1996 by BHP and encountered a 45 m oil column in good quality sandstone reservoirs of the Callovian aged Elang Formation. A 27 m interval within the Elang Formation was production tested, yielding 52.7 degree API oil at a stabilized rate of 11,790 stb/d. The well test analysis determined that the well had an Ideal Productivity Index of 120 stb/d/psi with a reservoir permeability of 1,130 millidarcies. The well was subsequently plugged and abandoned.[3]

Buffalo-2 was drilled in May 1997 as a deviated well located off "Big Bank" in 295 m of water and deviated to the target location 1.5 km to the southeast. The Elang Formation was intersected 40 m low to prognosis. Wireline log evaluation and RFT pressure defined a 21 m oil column in the well, but the well was not tested. A 44 m core was cut in the upper part of the Elang reservoir. Analysis of the core confirmed continuity of

[1] Geoscience Australia
[2] Discovery to Development: A Subsurface Case History of the Kitan Oil Field, Timor Sea, West Australian Basins Symposium 2013, Wheller et al.
[3] Buffalo Redevelopment "The Wee Field That Grew", SPE 77918, 2002, Begg et al.

quality reservoirs in the Elang Formation with porosities averaging 13% and permeabilities ranging from 30 to 2,500 millidarcies. The well was plugged and abandoned.

The development of the field started in mid-1999 with the installation of the WHP on the "Big Bank" and the refurbishment of the FPSO by Modec. Buffalo-3 was drilled in July 1999, and the objective Elang Formation was intersected 0.6 m high to prognosis. Wireline log evaluation and an MDT pressure survey defined a 49.9 m oil column. The reservoir section was as expected. Buffalo-4 was drilled in August 1999 as a deviated well into the north-west fault compartment of the field. The Elang Formation was intersected 94.5 m low to prognosis and was below the Oil-Water Contact ('OWC') at this location. However, the base Aptian marker, which was the deepest reliable seismic event, was encountered on prognosis. Buffalo-5 was drilled in June 1999. It was a re-drill of Buffalo-1 (400 m west).

The Buffalo field was brought on stream on 29 December 1999. Initial clean oil rates of 50,000 bopd were achieved in January 2000. Water production began in mid-February 2000, earlier than expected. In December 2000, Nexen assumed Operatorship and 100% equity in the field. Buffalo 6, which was planned by BHP to target the currently mapped crest of the field, was not drilled.

Buffalo-7, was drilled in March 2002 targeting a northern fault compartment. Nexen believed that the well proved the existence of a northern attic from reprocessing of the seismic and remapping, and the well came on production in April 2002 at a rate of 25,000 bopd. Buffalo-8 targeting a western fault compartment, was spudded in April 2002 and encountered the Elang Formation 8 m below the OWC. The adjacent Buffalo-9 well was spudded May 2002 and encountered shallower reservoir in the western area. The well came on production in June 2002 at 10,000 bopd.

No further wells were drilled and the Buffalo field was shut-in at 89% water-cut in November 2004 after production had declined to 4,000 bopd. The field was fully decommissioned and all facilities removed in 2005.

3.2. Subsurface interpretation

RISC has reviewed and supports the Operator's static modelling and STOIIP estimates. We have reviewed the simulation, history match and production forecasts and accept the simulated recovery factors as being at the higher end of the range, analogous to Laminaria Corrallina field 10 km to the west. A range of recovery factors, based on analogue fields has been used with the STOIIP estimates to generate the range of resource volumes and corresponding production forecasts.

3.2.1. Seismic data and processing

The Top Elang Formation surface has been difficult to interpret on seismic data which is typical in this area. Forward modelling has shown this boundary to have a Class II Amplitude vs Offset ('AVO') response, i.e. a polarity reversal of the seismic event occurs across the shot gathers resulting in attenuation of the event during stacking. This has been used to aid interpretation.

The Buffalo field underlies a seafloor carbonate bank, which rises from the seafloor (300 m below sea level) up to a depth of 27 m below sea level (Figure 3-3). Interpretation of the underlying geology on conventionally processed seismic data is difficult due to ray-path distortion from the steep sides of this bank and the large velocity contrast with the surrounding water. At the top reservoir level, the poor seismic data quality is a consequence of poor signal penetration, poor reflectivity contrast, faulting and multiples, which also give the reservoir section the appearance of being highly faulted.

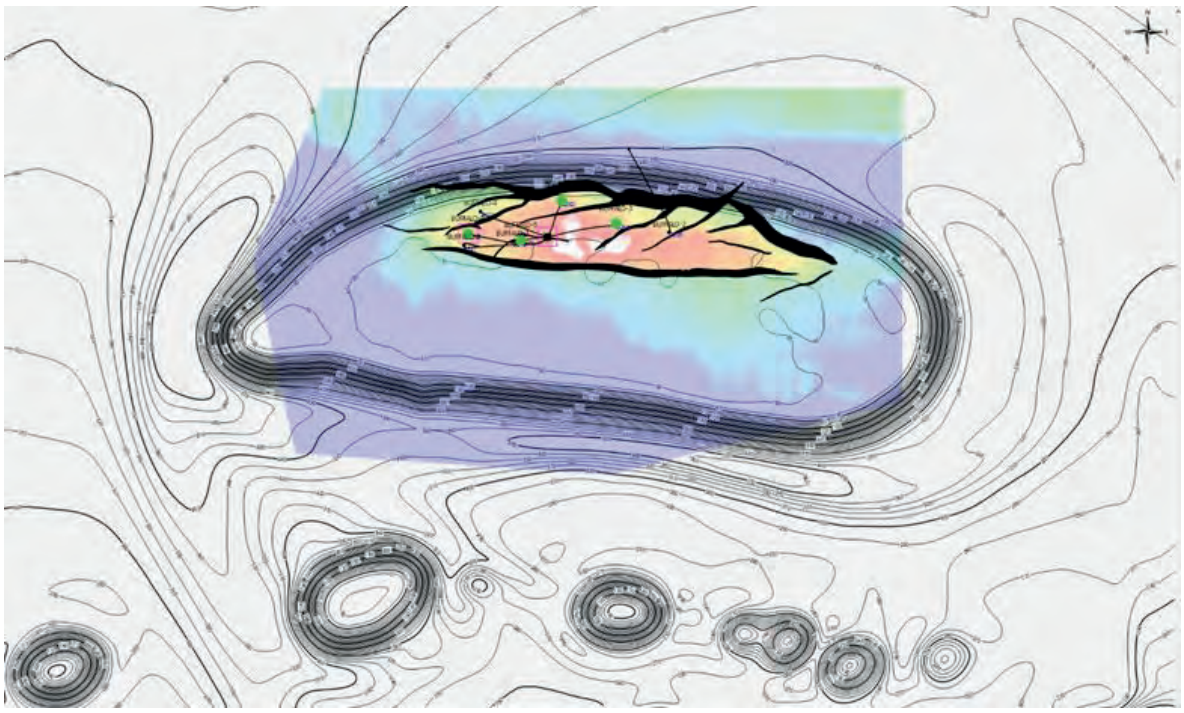


Figure 3-3: Bathymetric Topography Overlying the Buffalo Field Reservoir

The bathymetric topography and associated interval-velocity complexity causes seismic ray-path distortion, leading to poor imaging, and mis-location; especially under the reef margins. Note the significant "pull-up" in TWT domain under the carbonate bank in Figure 3-4.

The earth modelling process named Full Waveform Inversion ('FWI') is widely used as an additional tool for improving velocity models in seismic imaging workflows[4]. The approach by Carnarvon Petroleum Timor was to apply FWI to better resolve the velocity field, and to use that high-quality velocity field as input to 3D pre-stack depth migration ('PSDM') in order to better image the subsurface and correct ray path distortion under the Big Bank.

DownUnder GeoSolutions ('DUG') has reprocessed the 3D marine seismic data from the Buffalo 3D (1996), Buller 3D (1997), and Tiger 3D (2008) surveys within the WA-523-P permit in the Bonaparte Basin, offshore Australia. The datasets were processed from field tapes by DUG in their Perth office from June 2016 to May 2017[5].

The main objective of the project was to accurately image the seismic data in depth by applying a high-end processing workflow. Velocity model building for this project used a number of iterations. To begin with, a simplified initial model was built from the vintage velocities, with modifications around the reefs. This was used as input to refraction tomography, which was then in turn used as input to FWI, and then followed by several iterations of velocity model building. The final migration was VTI anisotropic. The velocity modelling was supported by the interpretation of 11 horizons in total, and logs from 21 wells.

[4] SEG wiki

[5] 3D Marine Reprocessing over WA-523-P, Bonaparte Basin, Australia – Processing Report, July 2017, DownUnder GeoSolutions

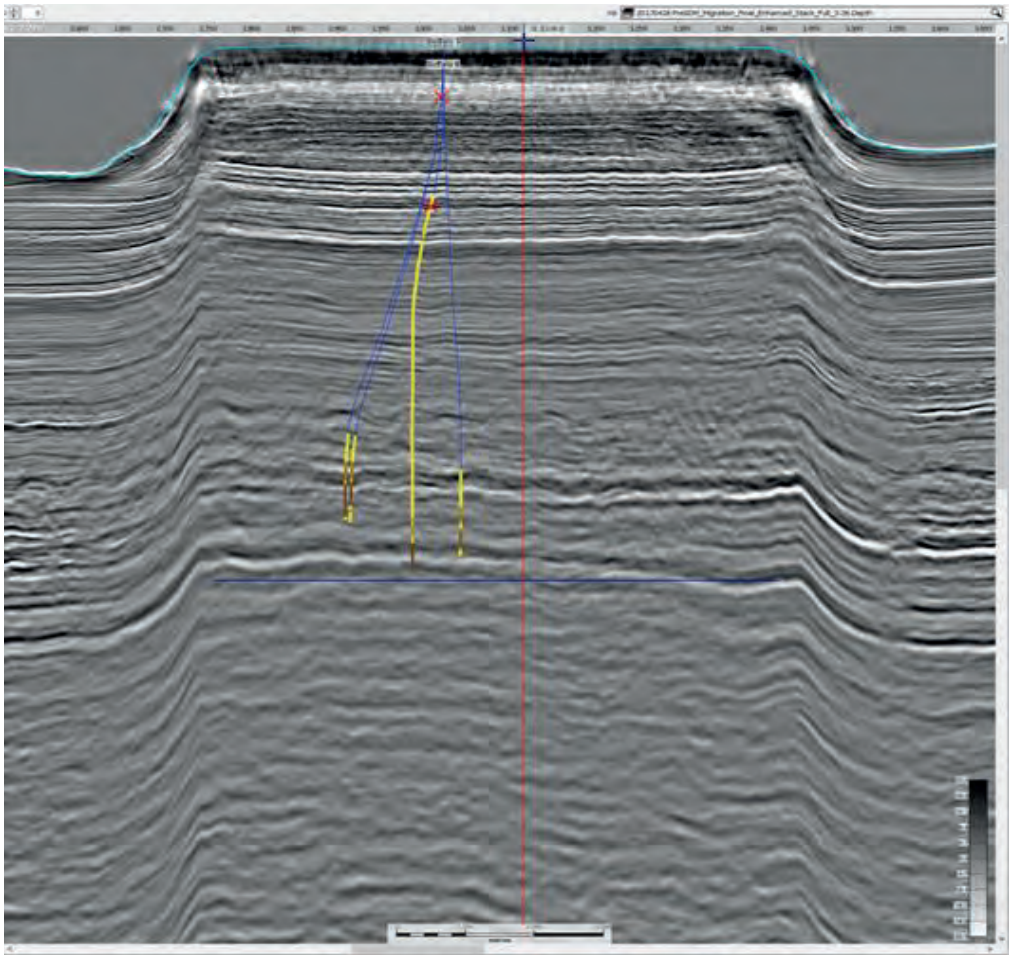


Figure 3-4: TWT Seismic Section through the Shoal Overlying the Buffalo Field

The final 3D seismic data in depth domain was adjusted using a simple velocity field to tie the well markers, a process which created a tilt of the structure across Buffalo in an east-west direction. The well tie adjustments are of long wavelength supported by well observations regionally. Depth errors before well tie correction are in the order of several of 10's of meters.

This dataset ('DUG1') was utilised for interpretation and formed the basis of the geological modelling discussed in section 3.2.6. This dataset showed that that the crest of the field is further east than previously mapped and identified the opportunity to re-develop the field.

Over a period of 12-months from mid-2017 further processing of the seismic data was undertaken[6]. In order to verify the FWI processing results, an independent processing study was undertaken with CGG to verify the DUG processing results. For this study a portion of the dataset over the field was processed without the DUG velocity model to initialise. This dataset and its interpretation confirm that an undrilled structural attic is present in the east.

[6] R. McGee, H. Debenham, P. Hoiles, A. O'Neill, J. Miller & A. Padman (2019) 'Reviving an old Buffalo – Breathing new life into an old dataset with modern technology.', in KEEP, M. & MOSS, S.J. (Eds), The Sedimentary Basins of Western Australia V: Proceedings of the Petroleum Exploration Society of Australia Symposium, Perth, WA, 2019, 13 pp.

A further two iterations of the processing were conducted with DUG with further refinement of the processing flow and parameterisation. The final version ('DUG4') benefitted from Kirchhoff PSDM that allowed for refinement of the pre-stack, post-migration demultiple.

3.2.2. Seismic interpretation

During the early field development, BHP found that the Buffalo structure at reservoir level appeared to be composed of two en-echelon horsts (Figure 3-5). The mapped structure dipped down to the south and north from a central high running east-west along strike[7].

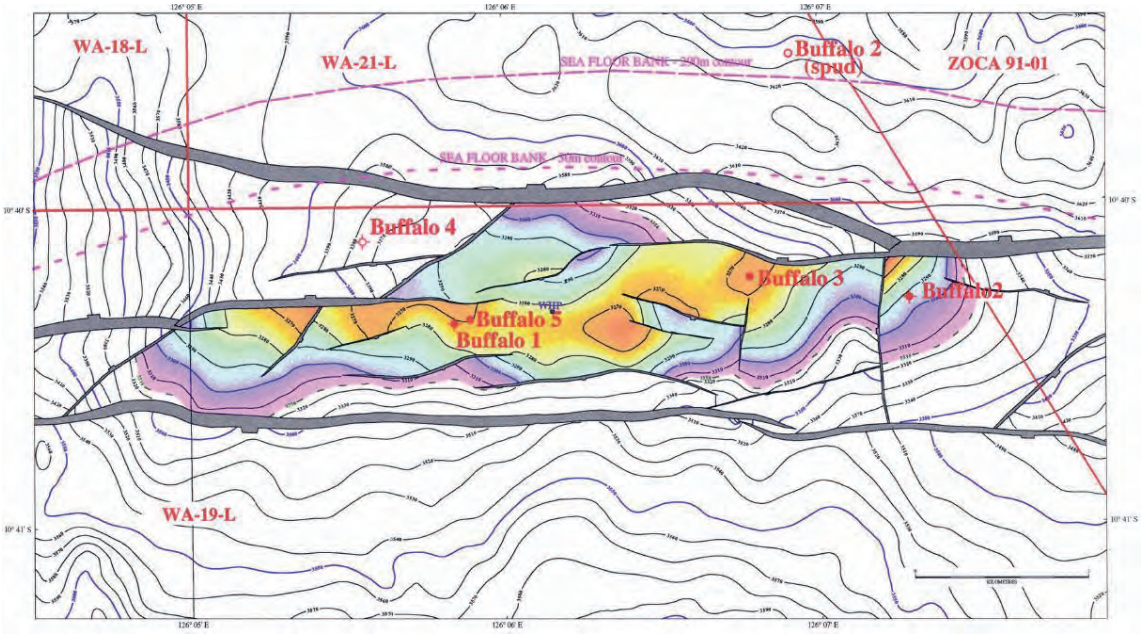


Figure 3-5: BHP's Top Elang Depth Structure Map (Source: Buffalo 5 WCR, BHP)

After assuming operatorship of the field, Nexen in 2001 re-mapped the Buffalo structure as an east/west-trending horst, created during the Tithonian extension in the Northern Bonaparte Basin (Figure 3-6). The southern bounding fault appeared to be relatively continuous, while the north-bounding fault system consisted of several en-echelon faults.

The Nexen PSDM-based interpretation showed a significantly different structural style for the Buffalo horst. Previous interpretations have shown a gently dipping anticlinal crest on the horst; whereas the revised interpretation recognized a steep southerly dip across the crestal area. The north and west flanks of the structure were mapped with up to approximately 100 m structural relief above the previous interpretation, thereby defining 'attics' with significant additional potential reserves[8].

[7] Buffalo-5 Basic and Interpretative WCR, 1999, BHP
[8] Buffalo-9 Well Completion Report – Interpretive Volume, 2002, BHP

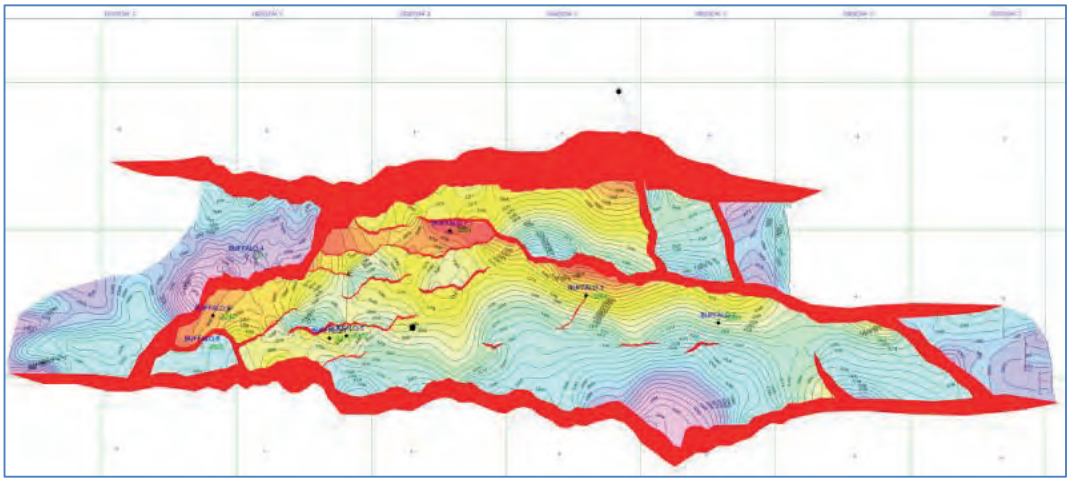


Figure 3-6: Nexen's Top Elang Depth Structure Map (Source: Buffalo 9 WCR, BHP)

The Carnarvon Petroleum reprocessing by utilising modern processing workflows and the incorporation of FWI has significantly improved the subsurface imaging of the Buffalo structure, allowing for increased confidence in the interpretation of the reservoir and structure.

Carnarvon Petroleum has utilised the PSDM depth data for interpretation, which is quite common in the industry. In RISC's opinion it would be preferable to interpret the data in two-way-time ('TWT') rather than depth domain. Interpreting in TWT allows for the interpreter to utilise synthetic seismograms to accurately tie the well formation tops to the seismic and is independent of any residual corrections applied to the velocity model or the depth domain data to tie the wells. However, BHP did note some issues tying synthetics.

However, RISC supports Carnarvon Petroleum's interpretation of bounding faults and the Top Elang Formation depth horizon, given the latest seismic dataset (depth domain, tied to wells, structurally oriented filter) (Figure 3-7). The data still suffers from various dipping noise and remnant multiple reflections despite a heavy processing effort. The depth map ties the well markers in their given positions. RISC is confident of the re-mapped crest to the east, and that the planned appraisal well will find updip oil.

The mapped structure is a horst bounded to the north and south by east-west trending fault systems formed post-deposition during Jurassic rifting. The field is also partly bisected by NE-SW trending faults related to younger faulting and Timor subduction. The south and east areas are not controlled by well penetrations and this is where Carnarvon identify opportunity for volume upside to that previously identified (Figure 3-8).

The Top Echuca Shoals seismic event (strong peak) can be picked throughout the data with high confidence, and shows a culmination over the eastern area of Buffalo. An alternative to direct interpretation of the Top Elang Formation horizon is to isochore down from the Top Echuca Shoals horizon and tie to wells with the Top Elang Formation marker.

The resultant Top Elang Formation depth map had a similar form to the one directly interpreted on the seismic data and tied to well tops.

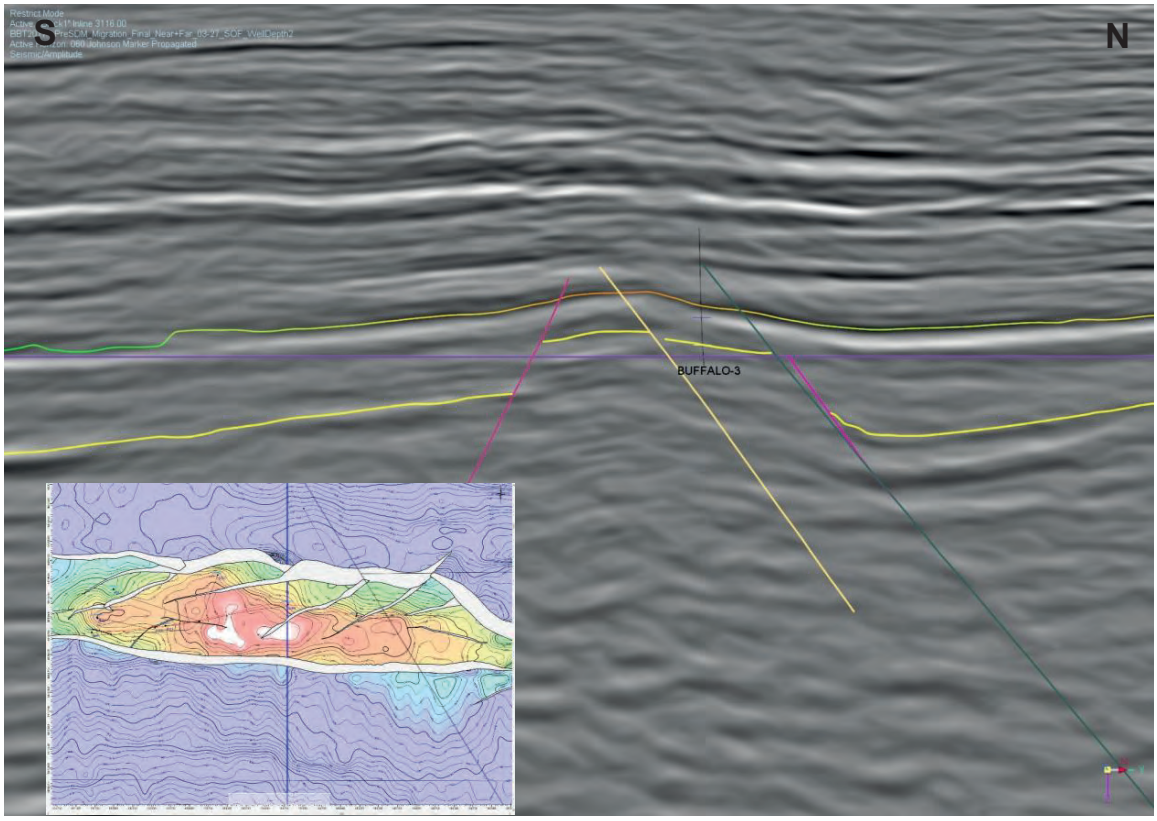


Figure 3-7: Interpreted Seismic Depth Section through Buffalo-3 Showing Updip Potential in the South (Carnarvon)

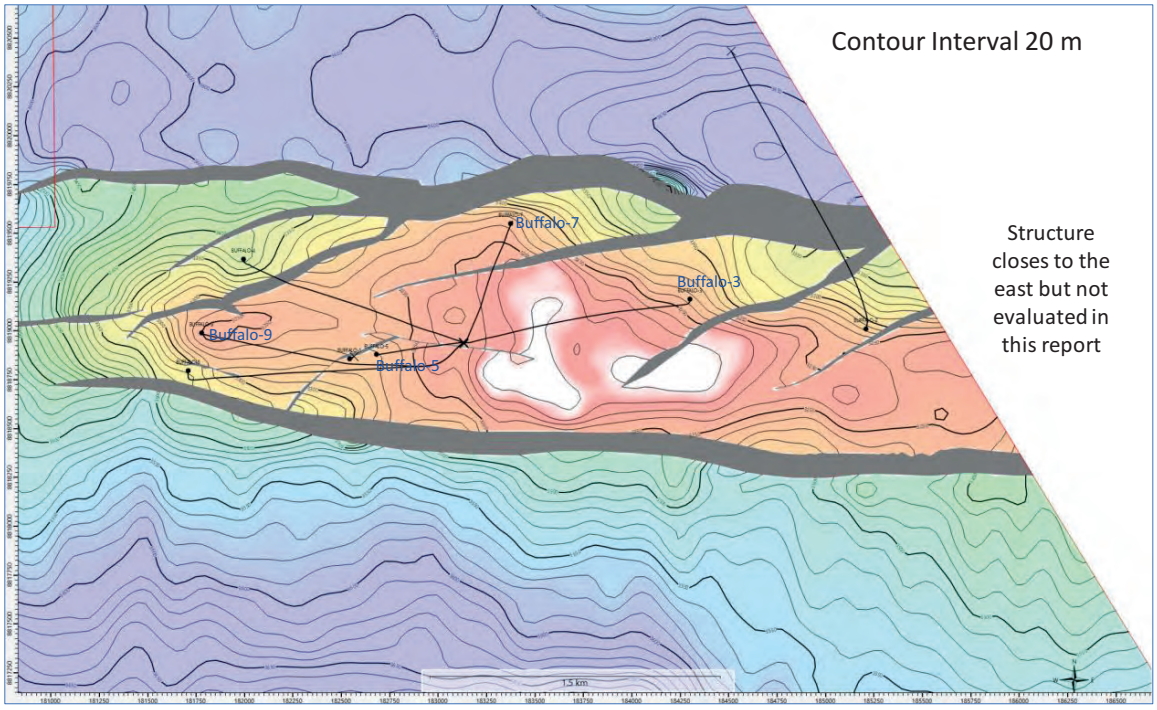


Figure 3-8: Carnarvon's Post FWI Final (June 2017) Top Elang Depth Structure Map (modified after Carnarvon)

Carnarvon Petroleum has noted thinning of the Top Johnson to Top Echuca Formation isochore over the Buffalo field. It is assumed that this relates to a combination of onlap and differential compaction over the underlying Elang Formation structure.

3.2.3. Reservoir description

The reservoir in the Buffalo field is the Callovian to Oxfordian Elang Formation (refer Figure 3-2). Sandstones were deposited in an overall transgression in the late Jurassic during a time of minor extension and subsidence. It is regionally recognised as an excellent reservoir. Regional lateral equivalents include the Laminaria and Montara Formations.

The Elang Formation conformably overlies the early to middle Jurassic Plover Formation which itself is a regionally thick unit of fluvio-deltaic sediments and also an excellent reservoir.

The Elang Formation reservoir exhibits excellent correlation across the field (Figure 3-9). Reservoir nomenclature is based upon the biostratigraphic zones of the Elang Formation, namely the *W. digitata* (WD zone) and *R. aemula* (RAB zone).

The Buffalo oil column is reservoired predominantly in the Elang Formation, with the Plover Formation rising above the original OWC in the central core of the field, as mapped. The Plover Formation aquifer is volumetrically significant and provides the strong water drive for the field, which is key to delivering high recovery factors.

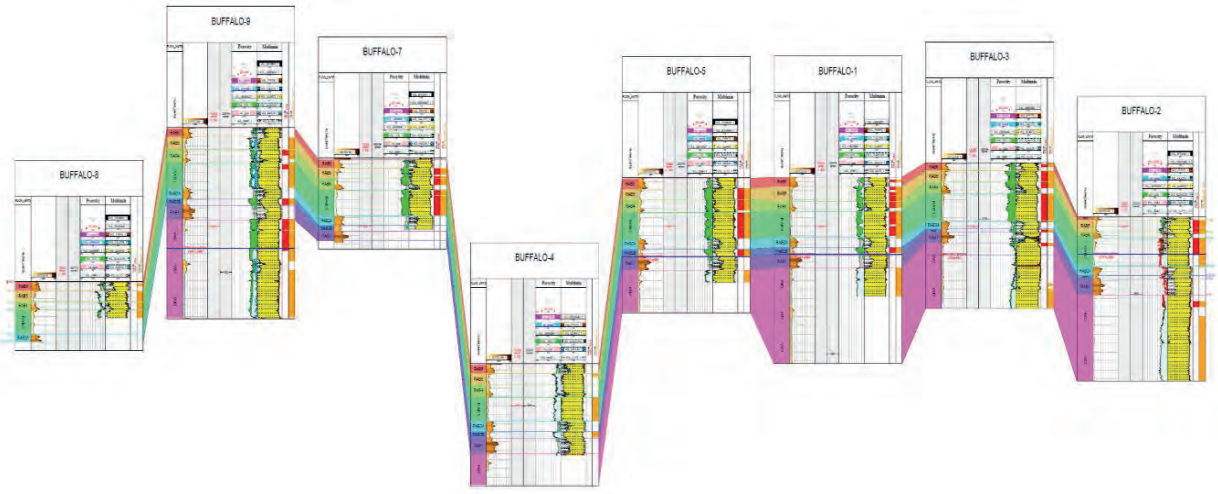


Figure 3-9: Buffalo field Elang Formation reservoir correlation (Carnarvon)

3.2.4. Petrophysical interpretation

Available well data for the Buffalo Field included:

- Drilling Mud:
  - Buffalo-1, 2, 3, 4 & 5 were drilled with SBM by BHP (Buffalo-1 WBM through Elang Formation to TD.).
  - Buffalo-7, 8 & 9 were drilled with WBM by Nexen.
- Core & SWC:
  - Buffalo-2: Complete core (3,759 – 3,808 mMD).

- Buffalo-1: SWC (44 samples).

- Pressure Data:
  - Buffalo-1, 2, 3, 5 & 9.

Petrophysical interpretation of the Buffalo field was undertaken by Carnarvon Petroleum through integrating log data from eight wells (Buffalo 1, 2, 3, 4, 5, 7, 8 & 9), MDT pressure and sample data from Buffalo-1, 3, 5 & 9 plus core data from Buffalo-2.

Buffalo-2 was considered as a key well as this well has a complete set of data (petrography, SEM, core description, core analysis, SCAL, pressure data and capillary pressure curves) to incorporate into log analysis.

The Multimin petrophysical module was used to evaluate the Lower Vulcan, Elang and Plover Formations. The Multimin model was set up using response equations for predicting volumes of minerals (quartz, pyrite, glauconite, calcite, illite and kaolinite in the Buffalo wells) and fluids that actually influenced each logging tool sensor. The approach of optimizing to gain the best match between data, model, and results is the keystone of optimizing the petrophysical interpretation in the Buffalo wells.

The permeability log was predicted through neural network modelling methodologies i.e. MRGC (Multi-Resolution Graph-Based Clustering) log prediction approach. The model was established between available core permeability and a model consists of log derived porosity, clay volume and pyrite content and then populated across the wells.

Additionally, a MRGC model was established from the porosity, permeability and clay volume to define four rock types: SS (Sandstone), SS-1 (sandstone), SS-ST (Sandstone, slightly argillaceous) and Siltstone/ very fine sand.

Electrofacies were modelling with estimated V_{SH}, permeability and porosity in a petrophysical analysis of Buffalo-2. Four electrofacies were defined in order of decreasing porosity and permeability, and increasing V_{sh}: SS, SS-1, SS-ST, and Siltstone (Table 3-1). To define Net to Gross (NTG) the following cut-off criteria were utilised:

- Porosity >8%;
- Water saturation <60%;
- Clay volume <30%.

Table 3-1: Elecrofacies Classification

RockType	Facies	Grain Size	Sorting	PHIE_AV (%)	PERM_AV (md)	VSH_AV (%)
SS	Sandstone	Medium to Coarse	Well	14.3	1297	1
SS-1	Sandstone	Medium to Coarse	Moderate to Well	9	210	1
SS_ST	Sandstone slightly argillaceous	V.Fine to Fine	Poor to Moderate	12	30	10
Siltstone	Siltstone to Shale	V.Fine to Fine	Poor	3	0.2	27

RISC considers the petrophysical evaluation as appropriate for use in reservoir parametrisation and geological modelling.

3.2.5. Fluid contacts

Buffalo-2 pressure data showed a slight offset to Buffalo-1, 3, and 5. Buffalo-9 was drilled post-production and showed 42 psi depletion after 24.3 MMstb of oil production. A field-wide OWC was interpreted at 3,316 mTVDSS with the oil gradient interpreted between 0.97 – 0.99 psi/m and water gradient 1.34 – 1.38 psi/m (Figure 3-10).

3.2.6. Geological modelling

Geological modelling was conducted on the original DUG1 version of the Buffalo 3D reprocessing. This modelling was the basis of the RISC audited Contingent Resources in August 2017. This modelling scope included uncertainty analysis of depth structure, facies, porosity, net-to-gross and Sw.

Carnarvon Petroleum used SKUA-GOCAD™ to construct the static models for the Buffalo field. The process involved construction of the structural model using seismic depth horizons and fault sticks. This was followed by defining the 3D grid, upscaling well logs, and creation of facies and petrophysical properties.

The input data for the structural model (Figure 3-11) consisted of:

- Two horizons for top and base reservoir:
  - Top RAB6 (Elang Formation) interpreted and adjusted for well tie by Carnarvon Petroleum;
  - Top Plover horizon: depth shifted down from modelled Top RAB6 (<10 m mistie to Top Plover Marker).
- Well markers for all stratigraphic units;
- 14 faults.

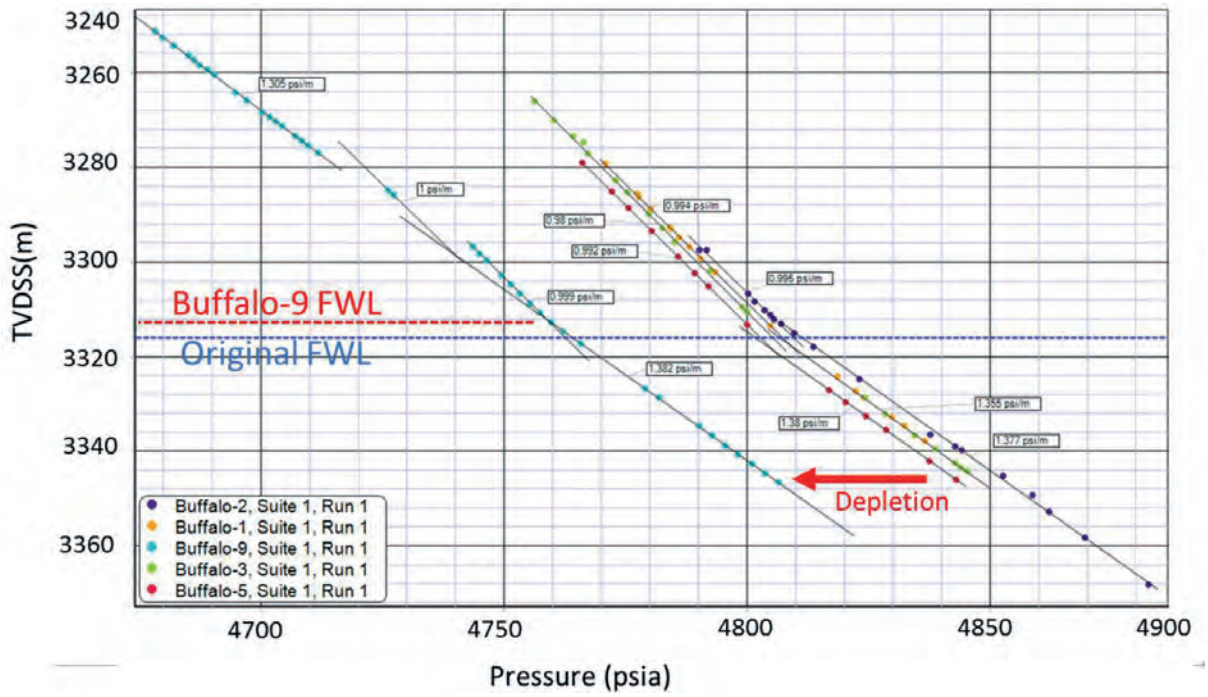


Figure 3-10: Buffalo field formation pressure data (Carnarvon)

A geological grid cell size of 25 m x 25 m laterally and 1 m vertically was used to generate the geological grid model. This was deemed to be sufficient to capture the heterogeneity in the vertical layering and control the lateral variation in facies geometry. The 1 m vertical cell size was set independently for each stratigraphic unit as the mean cell thickness. As all units were defined as conformable, the cell thickness varied proportionally as unit thickness increases and decreases. A flow simulation grid was defined with I and J lateral grid resolution was set to 50 m, and vertical grid resolution controlled by setting the average cell thickness to 2 m.

Eight Buffalo wells had their facies (EFAC), porosity (PHIE), and permeability (log10Perm) logs up-scaled to the grid model 1 m resolution (Buffalo-1 SW was excluded due to anomalous resistivity readings). A 1D vertical trend curve average of well facies proportions from all wells was used to constrain facies modelling. Likewise, trend maps for each facies type (four) and per zone was also used to guide the indicator kriging. Variogram analysis of the well data within the domain of the geological grid was performed to control the indicator and sequential Gaussian simulation of facies, porosity and permeability. This was analysed per facies type, but due to the limited number of wells the lateral variogram range (r1 and r2) was quite uncertain, and could vary between 500-2,500 m. The variogram for the shale was clearer and was set at the larger range of 2,000 m.

A field-wide original OWC of 3,316 mTVDSS was assumed as interpreted prior to initial production. A water saturation above the contact was defined by a distribution per facies type. No transition zone was applied in the static model as Carnarvon Petroleum deemed this negligible due to the high permeability sands.

RISC verified that the mean value of the 3D properties were in good agreement with the well log sums and average values, indicating that the upscaling result was appropriate (Figure 3-12).

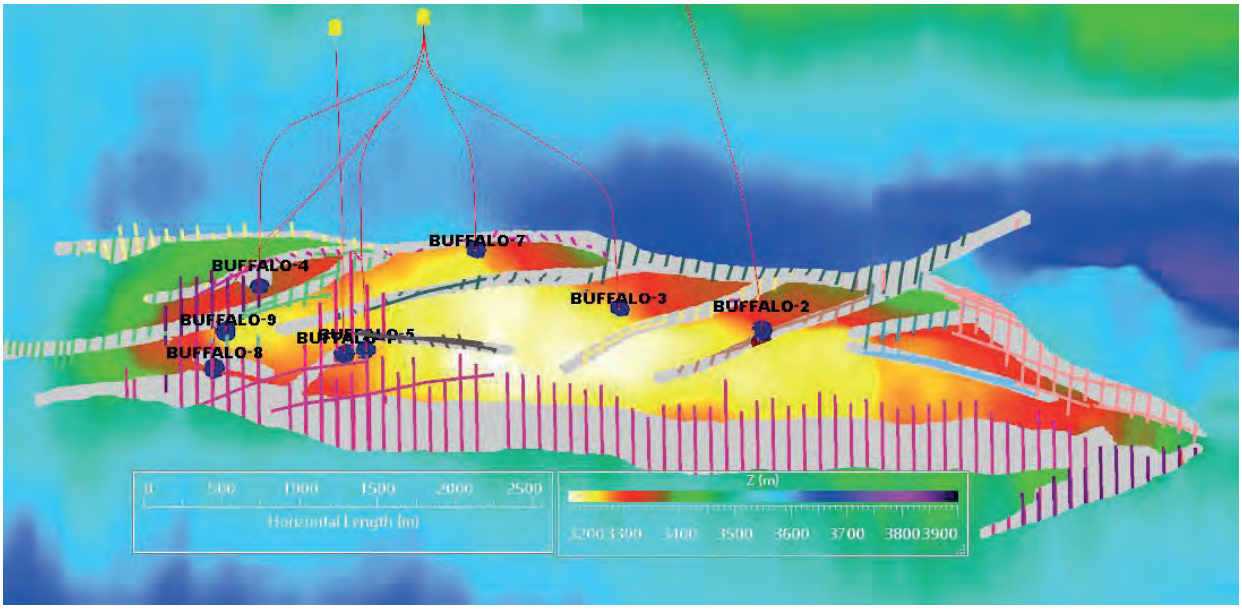


Figure 3-11: 3D view of input data used in structural modelling of Buffalo (Carnarvon)

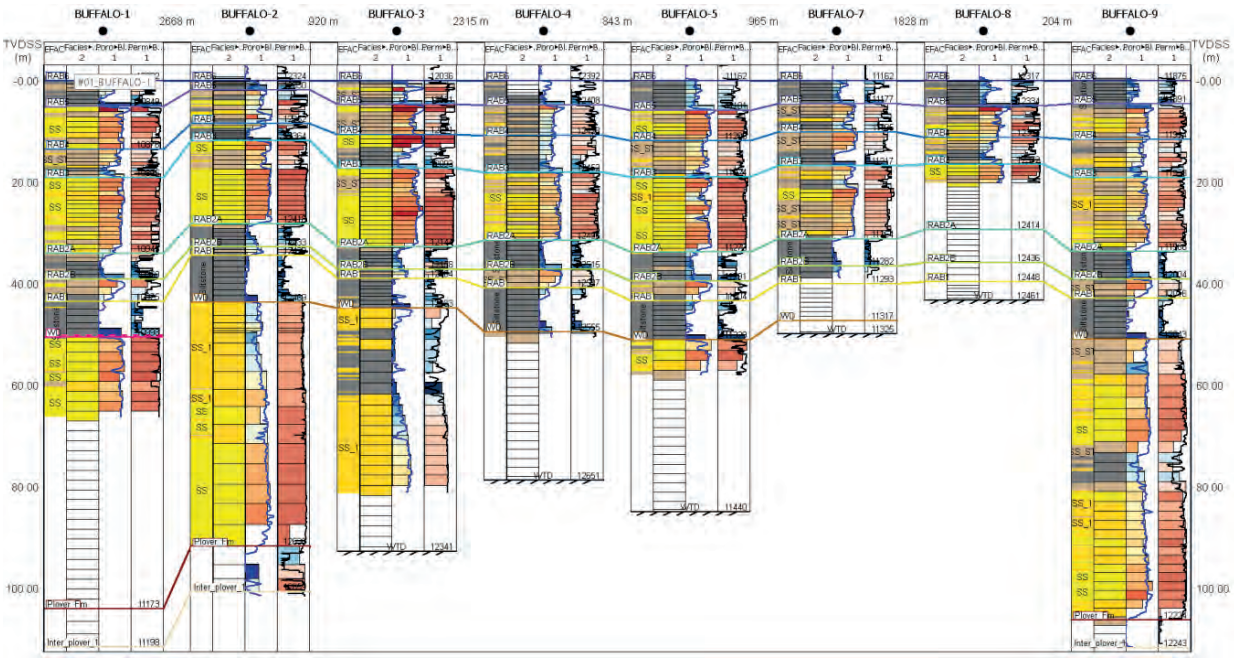


Figure 3-12: Upscaled vs Well Data (Carnarvon)

The migration (lateral positioning) of the seismic reflectors are still subject to the velocity field modelled, and the algorithms chosen for this process.

In order to capture velocity uncertainty and potential mis-picking of the resultant seismic data, an 80 m depth uncertainty was applied to the structural simulation within a variogram 1.8 km x 0.9 km orientated east-west. The simulation process allows the flexing of the top structure surface within the degrees of freedom (variogram range, model type and variance) and the result of each realisation is recorded. Given the historical drilling results, RISC's opinion is that this level of depth uncertainty is reasonable.

RISC endorses the stochastic simulation approach rather than a deterministic one due to the simultaneous factors of weak reflector difficult to distinguish from noise, and imaging difficulties leading to seismic event position and inclination depth uncertainty.

500 stochastic model realisations were created within SKUA-GOCAD™ and run in a Monte Carlo process to explore the STOIIP uncertainty range. In addition to structure, facies uncertainty (up to 27% variability), porosity uncertainty (+1/-3 p.u. mean value shift per facies), Sw uncertainty distribution sampled per facies. Contact, NTG, and permeability were not varied in this analysis (Figure 3-13).

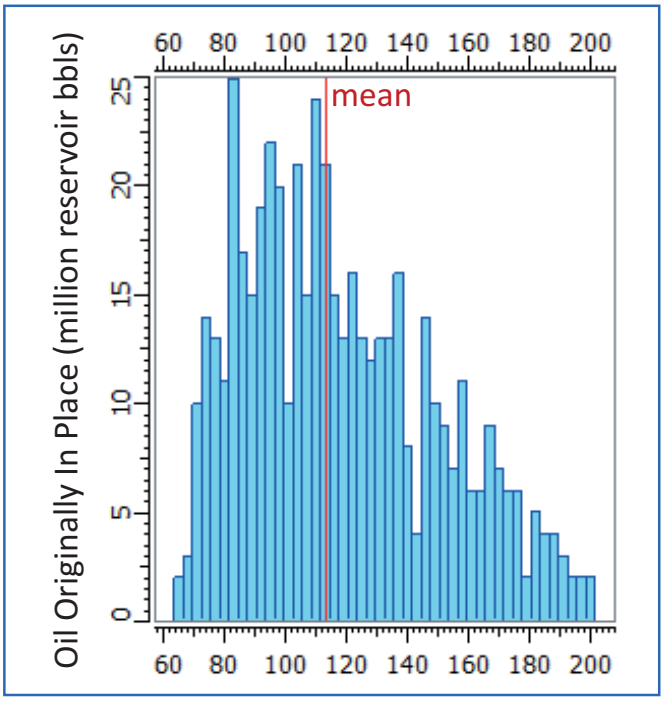


Figure 3-13: OOIP Histogram from 500 simulation runs (after Carnarvon)

Three deterministic cases were selected from the Skua uncertainty workflow to approximate the P90/P50/P10 STOIIP and used in the history matching and simulation of recoverable volumes. The history matching was found to not be sensitive to the STOIIP due to strong aquifer drive, and thus did not reduce the static volume uncertainty range. The field was abandoned at high water cut and updip areas of the field without wells remains undeveloped.

Table 3-2: Gross Hydrocarbons In-place for the Buffalo Field

Buffalo Field Elang Fm	Low Case STOIIP (MMstb)	Best Case STOIIP (MMstb)	High Case STOIIP (MMstb)
Full-field	75.2	106	156
Truncated within Buffalo PSC	73.7	94.8	114

The initial Buffalo development produced 20.6 MMstb giving a best estimate remaining STOIP of 85.4 MMstb.

Following the ongoing seismic processing effort, Carnarvon Petroleum subsequently updated the geological modelling with the Elang Formation structural interpretation of the final iteration DUG4 processing to create a single deterministic model for simulation studies. No uncertainty realisations were incorporated into this model. RISC opinion is that the DUG1 vintage models are more appropriate for simulations studies given the probabilistic approach and the uncertainty analysis incorporated.

In addition, Carnarvon Petroleum made a change in the model with respect to way facies were propagated in the model, resulting in a slight increase in the net pore volume, which is offset by a lower gross rock volume resulting from the DUG4 seismic data interpretation.

Given that the DUG4 processing derived structure interpretation is Carnarvon Petroleum's preferred representation of the Elang Formation reservoir structure, it would be appropriate to update the probabilistic modelling suite with the revised depth structure, although the effect is expected to be small.

RISC reviewed the static model output of both the P50 case of the (DUG1) probabilistic modelling and the (DUG4) deterministic model and the resultant oil-in-place calculation is similar (113 MMbbls vs 114 MMbbls) indicating in a static sense that the revised model is not a significant departure from the probabilistic modelling. We also understand that simulation results are similar.

3.2.7. Fluid properties

The oil in Buffalo field is a low viscosity oil/condensate with a low GOR (120 scf/stb) and low bubble point (500 psia). It is similar to oil developed in the adjacent Laminaria-Corallina field. The key fluid properties are:

- Reservoir Pressure: 4,777 psia;
- Reservoir Temperature: 277 deg F (136 deg C);
- Oil formation volume factor (Bo): 1.06447 rb/stb;
- Oil Viscosity at reservoir conditions: 0.167 cp
- Oil API (degrees): 53

The low oil viscosity and low bubble point gives a favourable water flood mobility ratio that is likely to result in good sweep and high oil recovery factors. Recovery factor in the Laminaria-Corallina fields are over 60%.

No H_2S has been detected and the associated gas contains 12-18% carbon dioxide.

3.2.8. Production History

The original development of the Buffalo field started production in Dec-1999 from Buffalo-3 and 5. Two additional development wells, Buffalo-7 and 9 were added in July-2003 (Figure 3-14).

The vertical/deviated production wells had high productivity with peak initial oil rates of 19,000 to 22,000 bpd in Buffalo-3, 5 and 7, and 7,000 bopd in Buffalo-9 with 50% watercut.

Water production started after 2 months in Buffalo-3 and 5 and rose to over 80% water cut during the life of the original development. Wells had gas lift to enable production at high water cut.

Buffalo-9 logs showed limited (42 psi) pressure depletion in all reservoir units (Figure 3-10) and the Upper RAB units were largely swept by aquifer influx. Water production started immediately in Buffalo-7 and 9 and also increased to over 90% during the well life. Buffalo-9 watered out in late 2003 and the other wells were shut at the end of economic life in late 2004, partially curtailed by limited gas available for gas lift. Cumulative oil production from the field was 20.6 MMstb.

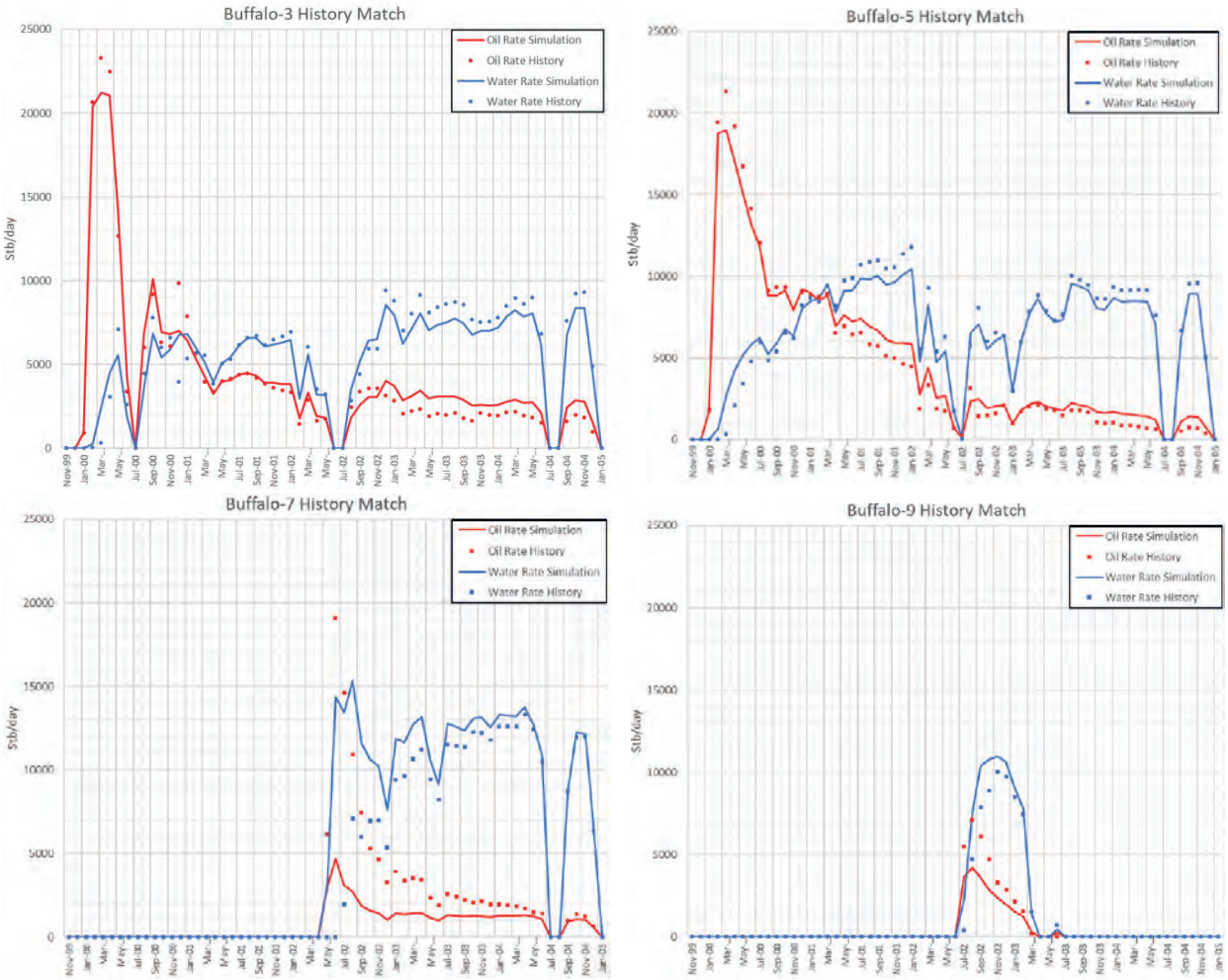
3.2.9. Dynamic modelling

Carnarvon Petroleum have undertaken history matching for both the probabilistic and deterministic reference case models. History matching key data include:

- Pressure depletion (42 psi) observed in Buffalo-9 when drilled;
- Sweep of Upper RAB reservoir seen in Buffalo-9 when drilled;

- The water breakthrough of all wells with an emphasis on the most crestal well Buffalo-3. This crestal well is estimated to be the best analogue for re-development which uses more crestal wells.

The initial water saturations are low in all wells and match the logged saturations in Buffallo-3 and 5. The history matched model shows increased saturation in all wells after 2½ years production when Buffallo-7 and 9 were drilled. Figure 3-15 shows the simulated saturations.



Total liquid is specified in simulation and oil and water rates matched

Figure 3-14: Buffalo measured and simulated well production history (Carnarvon)

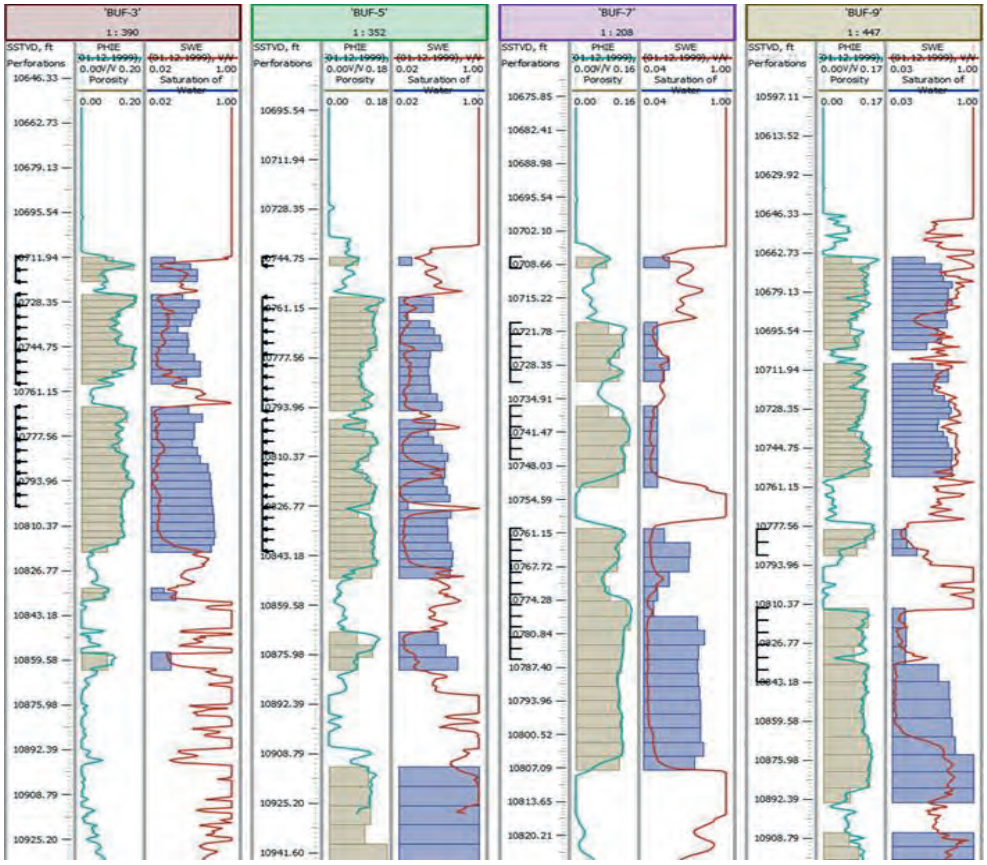


Figure 3-15: Simulated water saturations after 2½ years production (Carnarvon)

From Figure 3-15:

- Water saturations (blue bars) have increased in Buffalo-3 and 5 in compared to the original logs and saturations (red lines).
- Simulated water saturations in Buffalo-9 are consistent with the log saturations (red line) obtained after 2½ years production.
- Simulated water saturations in Buffalo-7 show increased water saturation in the lower reservoir after 2½ years production which is not seen in the logs.

A reasonable history match (Figure 3-14) of individual well water production was achieved by adjusting edge and bottom water aquifer dimensions and permeability and the water relative permeability. The most crestal wells Buffalo-3 is the best analogue for the crestal redevelopment and has been well matched in models with low, mid and high STOIIP (Figure 3-16). This good match improved confidence in Carnarvon's dynamic modelling.

The history matched simulation model has been used to generate production forecasts for the re-development and select well numbers and locations.

Wells in the original development recovered between 1 and 8.3 MMstb oil per well. Two wells had an average oil recovery of 8 MMstb each from a 43 and 51 m oil column; the other two wells are in small fault blocks that limited oil recovery.

The proposed re-development wells are simulated to recover between 3 and 29 MMstb per well with a low, mid and high case average of 6, 13 and 20 MMstb per well (Figure 3-17).

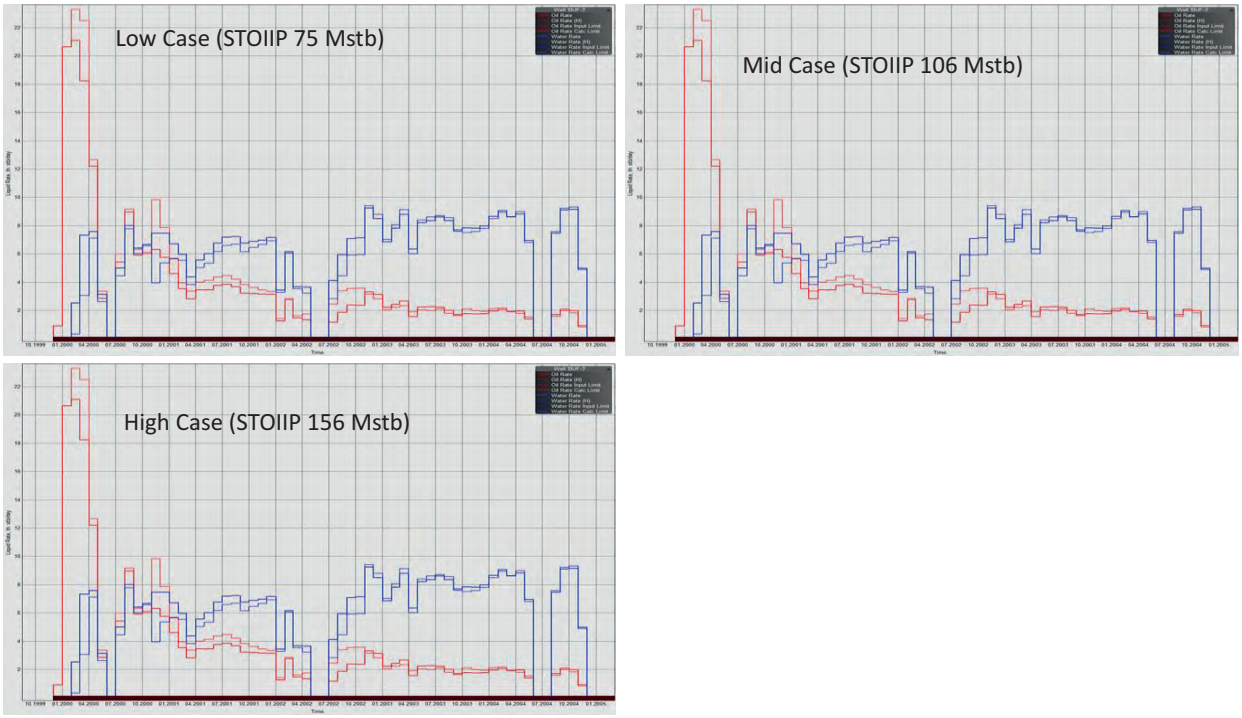


Figure 3-16: Buffalo-3 history match in low, mid and high case realisations (Carnarvon)

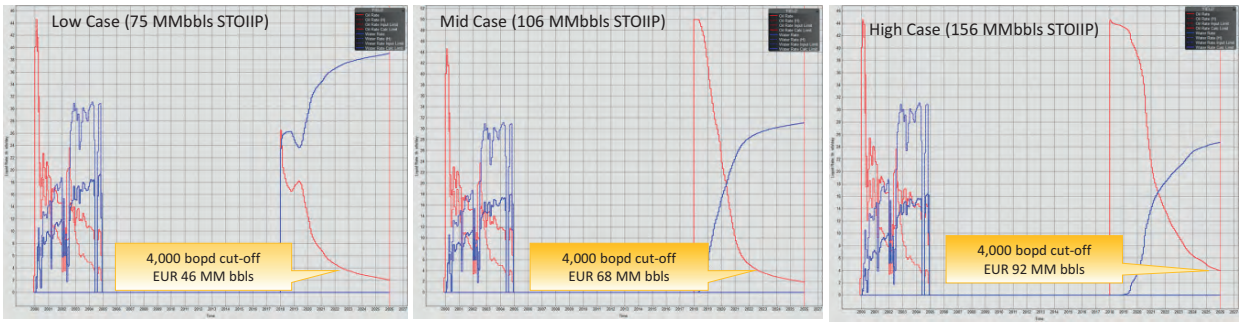


Figure 3-17: Simulated production with 3 well re-development (Carnarvon)

Following the initial development, the OWC is simulated to have risen and stabilised at 3290 mtvdss, 26m above the original OWC. Re-development wells are estimated to find 90 to 113 m oil column (low case 61 to 89 m, high case 106 to 127 m), twice the 47m oil column of the best two original well. This accounts for the higher oil recovery per well.

The reservoir has strong water drive which results in water-drive or waterflood recovery factors. Oil recovery factors simulated by Carnarvon Petroleum are high at between 60 and 66%. This is consistent with recovery factors achieved in Laminaria-Corallina but is estimated to represent a high case, as Laminaria-Corallina has a larger oil column, higher permeability, and less reservoir heterogeneity. The Kitan field is estimated to be a low case analogue as it has a smaller oil column, lower permeability, and more reservoir heterogeneity. Kitan has an estimated recovery factor of 40%. Accordingly, RISC estimate the recovery factor range for the Buffalo field to be 40% to 65% and used this range to estimate resources. We applied a 40% to 60% range in oil recovery factor to the STOIIP range determined by Carnarvon and supported by RISC to estimate the contingent resources.

4. Field Development Plan

The proposed re-development plan is for three vertical/deviated wells with ESPs producing to a processing facility with total liquid handling capacity of about 75,000 bpd.

Produced water will be treated and discharged overboard. Associated gas production will be limited and most gas used to provide fuel for power generation, therefore flaring will be limited and diesel or oil will be needed to supplement the fuel to the power generators.

4.1. Drilling and completions

Vertical/deviated oil production wells with 5½ inch tubing are planned and considered to be optimum given the good well productivity. High angle and horizontal wells are options also being considered to defer water production and optimise the development. Solids production is not expected so no sand exclusion is planned.

Artificial lift is required as the wells are expected to cut water and have an increasing water cut over field life. Gas lift has the advantage of lower operating cost but field restarts can be difficult, especially as gas production declines, and gas lift compressors will be required. ESPs are modelled to give slightly higher oil recovery but run-life and the cost and means of replacing failed ESPs must be considered. The planned development assumes ESPs with replacement using a mobile hydraulic workover unit. Dual bypass ESP completions have life cycle cost benefits and are being considered. Given the limited expected gas production RISC supports the choice of ESPs.

Simulation has determined that the base field interpretation can be developed using 2 or 3 oil production wells. The third well provides operation flexibility and redundancy to optimize recovery. If appraisal demonstrates a low case or 1C outcome the third well can be dropped and facility capacity potentially reduced without significantly affecting oil recovery.

The appraisal well, which will be retained as a production well, will be vertical. Subsequent wells will be deviated wells drilled from the same location and tied back with dry trees to the WHP or MOPU. Wells will be perforated underbalance from top Elang formation to a selected water stand-off depth using through tubing wireline guns. Isolation of basal water production using mechanical bridge-plugs will be an option.

4.2. Production Facilities

The assumed production and processing facilities are based on a MOPU or converted jack up in 25 m water capable of supporting topsides with 75,000 bbl liquids handling capacity including:

- Production Xmas trees;
- Supporting infrastructure and space for a mobile hydraulic workover rig or similar;
- Inlet manifold arrangement for production and well testing;
- Oil and gas separation and stabilization;
- Produced water clean-up and facilities for discharge overboard;
- Utilities and safety systems required to support the above-mentioned facilities, including flare, power generation.

In addition, there will be an export line and a FSO for crude storage and offloading with associated mooring systems.

- Five potentially available MOPU's have been identified. Two would require processing equipment to be installed, two already have sufficient capacity installed, one would require modification.
- Twelve potentially available FPSOs have also been identified with liquid handling capacities of between 10,000 and 90,000 bpd. Five are considered to have suitable capacity.
- Four suitable FSOs have been identified.

We note a MOPU with 30,000 bopd, 75,000 bfpd and 3 MMscfd gas handling capacity and an FSO with 1.1 MMbbl storage capacity has been identified. Production and cost forecasts are based on this development.

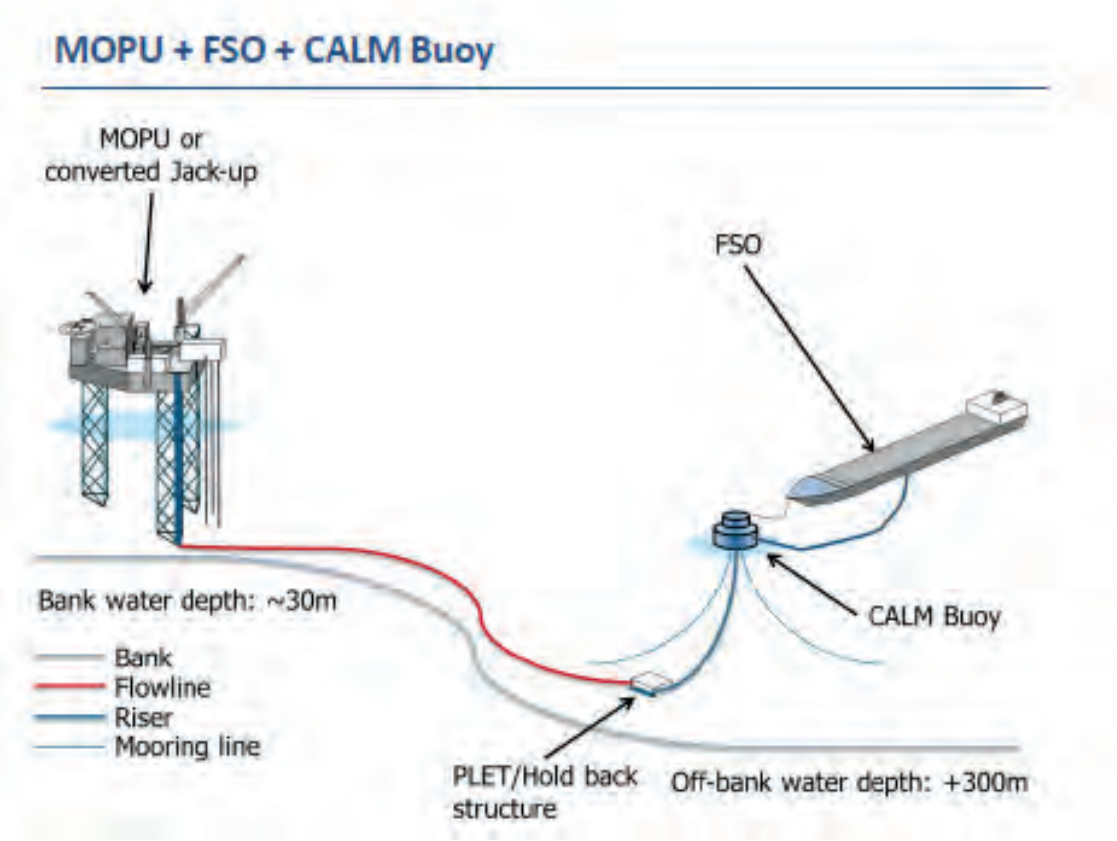


Figure 4-1: Schematic representation of development concept (Carnarvon)

Oil will be periodically sold and exported from this facility to trading tankers, contracted by the Operator, which will transport the crude for refinery processing.

Fuel for power generation and heating will be produced gas sourced from separator flash gas and this will include power for the downhole electric submersible pumps (ESP). The relatively small quantity of excess gas, surplus to fuel gas requirements for the in-field facilities, will be flared to atmosphere. Fuel gas will have to be supplemented with liquid fuel as the oil and associated gas production reduces.

A number of suitable alternative facilities have been identified should commercial arrangement for this concept not progress.

4.3. Capital and Operating Costs

Carnarvon are considering 2 development concepts - a WHP and FPSO option and a MOPU (with processing on the platform) and FSO option. They have screened a number of existing facilities that are potentially available, selecting different fit-for-purpose facilities for a low case and base case appraisal outcomes.

There are options to purchase or lease the WHP, MOPU, FPSO and FSO. Clearly leasing will reduce capital costs while increasing operating costs – there are fiscal advantages to this in a PSC environment where operating costs are generally recoverable in the year incurred. It is not straightforward to compare the lifecycle costs of purchased v lease options as lease rates will vary significantly with lease period therefore total opex will depend on field life and economic cut-off will occur earlier when facilities are leased.

RISC has reviewed the different options and concluded that:

- The five year life cycle cost of a purchased WHP and leased FPSO is very similar to a leased MOPU and leased FSO in both the 1C and 2C cases. Either option is viable, available and would give similar project economics.
- A leased WHP and leased FPSO is estimated to have a 30% higher life cycle cost so appears less attractive. However, the actual facility lease rates will be clearer post appraisal when final commercial negotiations with suppliers are conducted. Therefore, all three options are viable and any of them may prove the most attractive option once final quotes are received post appraisal.

The most attractive option and ultimate selection will be subject to a more rigorous analysis including facility status (availability, condition and reliability) better cost estimates after a tender process, more accurate lifecycle cost estimates and economic evaluation taking into account economic field life for a reasonable range of oil price forecasts.

For the purposes of this report RISC has used the costs of a leased MOPU and FSO (lowest 2C lifecycle cost).

Carnarvon contracted consultants to survey the market for WHP, MOPUs, FPSOs and FSOs. This market survey is the basis for our capital and operating cost forecasts. We have added allowances for modifications, transportation and installation, contingency and project management where we consider appropriate.

4.3.1. Capital costs

Table 4-1 shows the estimated capital costs of the Buffalo re-development assuming 3 wells.

Table 4-1: Buffalo capital costs

Item	Capex (US$million)	Comment
Appraisal well (B-10)	20.0	Includes no mobilisation/demobilisation
Sub-total Appraisal	**20.0**	
Development wells + completion	49.1	Includes drilling of 2 new wells, completion of appraisal well and $1.7 MM mobilisation
MOPU	17.0	Modifications, transportation & installation, HUC
Pipeline	8.25	
FSO	20	Modifications, transportation & installation, HUC
Project Management	18	
Contingency	13	
Sub-total development	**125**	
Total Appraisal & Development	**145**	

If only 2 wells are required (one development and completion of appraisal well) we estimate total Capex of $119 million.

Carnarvon Petroleum estimated the vertical appraisal well to cost US$20 million to drill and suspend including 20% non-productive time excluding mobilisation/demobilisation. Carnarvon have advised mobilisation/demobilisation may not be payable if the same drilling contractor is used for the development wells. The well is estimated to take 27 days to drill, including standard logging, plus 5 days to suspend. No core or well testing is planned. These time estimates seem reasonable assuming lessons from drilling the original Buffalo wells are incorporated. The cost assumes a rig rate of US$100,000/day, this is reasonable in the current market where jack up rig utilisation is approximately 50% in SE Asia.

There is some uncertainty in rig mobilisation/demobilisation cost. A worst case estimate for a single well campaign is US$9.4 million, whereas Carnarvon estimate US$1.7 million for a working rig and potential zero mobilisation fee in the current market. In the absence of further information on well timing and hence rig availability we recommend adopting US$ 1.7 million.

Subsequent deviated (35 degrees) development wells with 724 and 1,590 m step out are estimated to cost US$20.4 and US$22 million respectively plus an additional US$1.7 million assumed mobilization/ demobilisation fee. Completion of the appraisal well adds an additional 6.7 days and US$5.0 million.

For the purposes of economics approximately 90% of well costs are intangible and therefore immediately cost recoverable in a PSC environment.

Carnarvon Petroleum have advised that due to benign meteorological ocean conditions oil offloading can be achieved with a floating hose from the FSO to export tankers therefore no offloading buoy is required.

Figure 4-2 shows the base case development cost schedule.

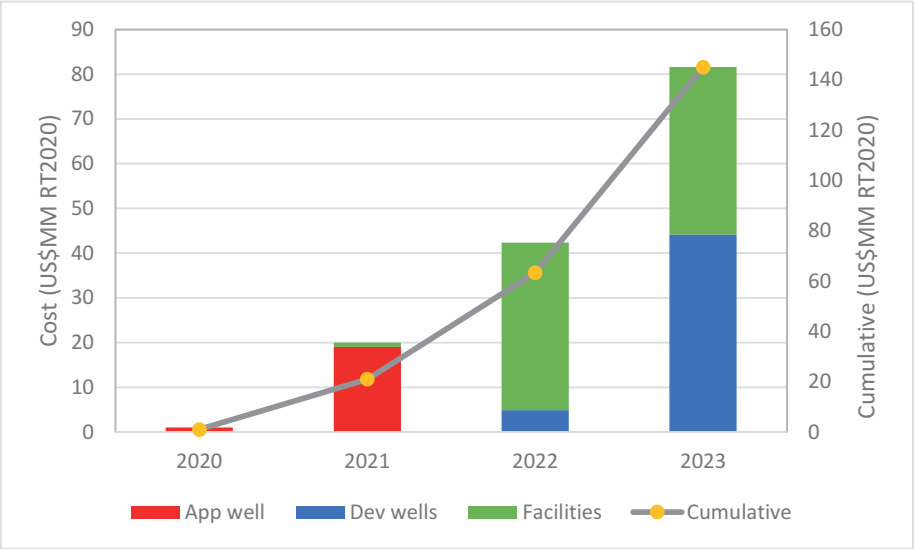


Figure 4-2: Development cost schedule

4.3.2. Operating costs

As mentioned above, operating costs are based on a preliminary survey of available vessels and MOPUs. In RISC's opinion the costs are very competitive and reflect 'bottom of the cycle' pricing.

RISC estimates operating costs of approximately US$60 million per year as summarised in Table 4-2.

Table 4-2: Buffalo facility Operating costs

	Opex (US$million/year)	Comment
MOPU lease	10.2	US$30,000/d from market survey
FSO Lease	9.1	US$25,000/d from market survey
MOPU O&M	11.0	US$30,000/d from market survey
FSO O&M	7.3	US$20,000/d RISC estimate
Consumables	5.0	
Logistics	4.0	Helicopter, boats, supply base
G&A	2.5	Management & Technical support
Insurance	1.0	
Contingency	10.3	
Total	**60.4**	

We consider the costs arising from the market survey to be immature. For example, one source quotes FSO BBC + O&M rates of US$20,000-25,000/day whereas another quotes lease rates of US$40,000-50,000/day depending on lease period.

In the low and high appraisal outcomes operating costs do not vary significantly due to lower lease rates as a result of the longer lease period associated with the high case offsetting higher variable and consumables costs due to the higher production. The reverse occurs in a low outcome where lease costs will be higher but production and consumables costs lower. We estimate that operating costs can be reduced by 20% in the last two years of production to extend economic field life. Leasing arrangements with a component of lease rates linked to production could also extend economic field life.

ESP refurbishment/replacement costs are based on a run life of 3 years replacing 1 ESP per year from the 3rd year of production. ESP's replacement is estimated to cost US$ 0.8 million per workover, plus some allowance for the maintenance and transportation of the hydraulic workover rig.

4.4. Abandonment costs

RISC estimates field abandonment and decommissioning costs of US$ 28.5 million (RT2021), based on abandoning 3 wells (US$3 million per well + mobilisaton/demobilisaton), removal and demobilisation of the MOPU and FSO (US$10 million), removal of moorings (US$5 million), planning and engineering (US$2.5 million). This reduces to US$25.5 million in the low case with two development wells.

4.5. Development Schedule

Carnarvon Petroleum have estimated an 18 month schedule from post appraisal to first oil, noting that for the original BHP development the actual time from FID to first oil was 15 months. This is based on leasing an existing MOPU and FSO with appropriate specifications. RISC consider this to be achievable but a relatively aggressive schedule. We note that the development concept will depend on the results of the appraisal well, and so may be altered. After the appraisal results are known, we have allowed 6 months to finalise development concept, complete financing and finalise contractual arrangements with the various suppliers. To ensure less than 2 years from FID to first oil will require sourcing a MOPU and FSO that require limited modifications.

Subject to securing funding and a joint venture partner, Carnarvon Petroleum forecast appraisal drilling in 2H 2021. Assuming appraisal drilling occurs in 2H 2021, RISC considers FID could occur in early 2022 and first oil potentially in 2023. However, the Joint Venture's intent to follow a fast-track approach to development could experience delays. Therefore, we estimate first oil 1 January 2024.

4.6. Production and cost forecasts

RISC has made an independent estimate of STOIIP and oil resources. We have modified Carnarvon Petroleum's simulation forecast for 3 wells with ESPs to match our resource volumes.

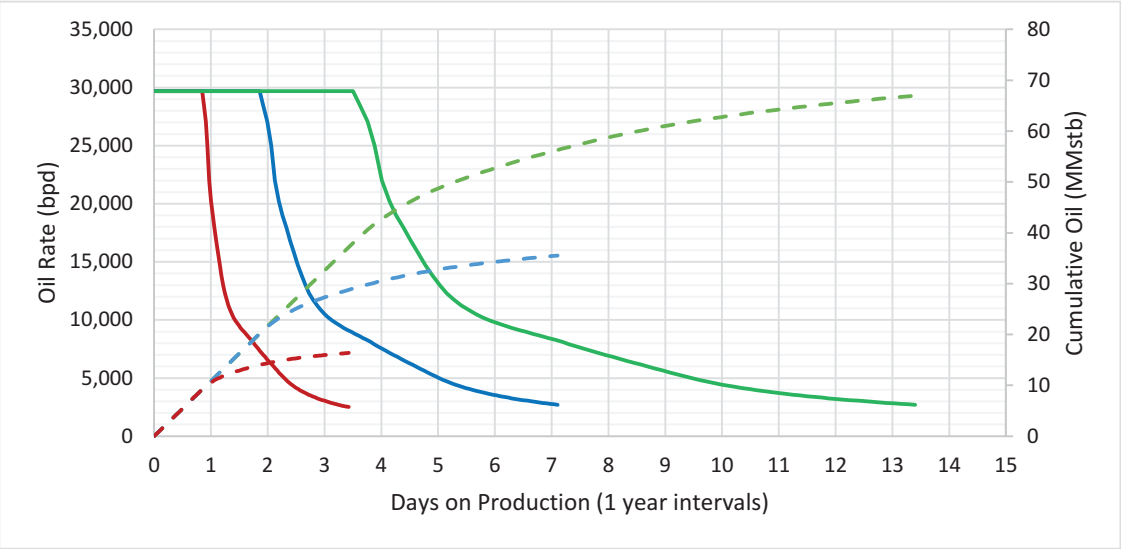


Figure 4-3: 1C, 2C, 3C Oil Production Forecasts

Table 4-3 shows the assumed facility capacity, based on an identified facility, that has been used to generate forecasts.

Table 4-3: Estimated facility capacity

Capacity (bpd)	Production day capacity	Incorporating 99% uptime
Oil	30,000	29,700
Water	75,000	74,250
Total Liquid	75,000	74,250

Production is initially constrained by the oil handling capacity with a plateau duration of 0.7, 1.3 and 2.2 years in the 1C, 2C and 3C realisations. Production comes off plateau due to the liquid handling capacity.

The high uptime, which was achieved by BHP and Nexen, is estimated based on facilities typically exceeding their nameplate capacities and with ESP failure the constrained liquid production can be made up by the other wells while an ESP is replaced.

The high water handling capacity is required to allow the facility to produce economically at high water cut. Reduced water handling capacity would reduce contingent resource estimates.

- Halving the liquid handling capacity reduces the 2C resource by 11% and the 2C project NPV_{10} by 23%.
- Doubling the oil capacity has a minor effect on resource volumes and an 7% increase in 2C project NPV_{10}.

5. Resources

5.1. In-place resource volumes

RISC has reviewed and support the Operator's static models and in-place volume estimates shown in Table 3-2. The Buffalo field potentially extends beyond the permit boundary, although potential volumes outside the permit are likely to be small but will contribute to production.

5.2. Production Forecasts

RISC has incorporated a wide range of recovery factors in the resource estimates and adjusted the Operator simulated production forecast to match the resource estimates and expected facility capacity constraints. Figure 4-3 shows the 1C, 2C and 3C oil production forecasts. Due to strong aquifer drive, the wells are simulated to cut-water and produce at increasing levels of water-cut in the course of the life of the field. The post plateau production rate is largely constrained by the facility water handling capacity.

5.3. Resource summary

Resources associated with the Buffalo re-development in Table 5-1 are classified as Contingent Resources, development pending. The contingent resources can be re-classified as reserves when the planned re-development is approved, which is expected to follow the appraisal well.

Table 5-1: Contingent resources as at 31/12/2020

Oil (MMstb)	Contingent Resources		
	1C	2C	3C
Gross (100%)	16.0	34.3	62.8
PSC contractors net entitlement (100%)	12.2	25.0	44.4
Net indirectly attributable to ATEL (50% contractor)	6.1	12.5	22.2

Notes:

1. "Gross" are 100% of the total field resources some of which may fall outside the Buffalo PSC.
2. "Net attributable to PSC contractors" are based on economic modelling and the terms of the PSC
3. "Net indirectly attributable to ATEL" is the proportion of contractor net attributable to AETL's equity in Carnarvon Petroleum Timor. ATEL interest in Carnarvon Petroleum Timor post subscription farm-in is to be confirmed.
4. Associated gas will be consumed in operations with limited surplus volumes flared.
5. Contingent resources are economic and an economic cut-off has been applied. RISC estimate the probability of development to be 86%.

In August 2017 RISC certified 1C - 2C - 3C gross contingent resource volumes as 15.3 - 31.1 - 47.8 MMstb. These remain valid and are carried by the Operator. Gross resources volumes in Table 5-1 differ from the Operator's previous volumes, due to production forecasts being adjusted to include potential off-block resources that will be produced, an update to the expected facility capacities and an update to economic

cut-off. Resource volumes will be updated following the appraisal well with an expected reduced 1C to 3C range.

5.4. Project Risks

This re-development project is based on re-mapping of the reservoir with the crest of the field and larger oil column east of the original development. RISC is confident of the re-mapped crest to the east, and that the planned appraisal well will find updip oil. The amount of recoverable oil has been quantified in the 1C to 3C range. However, there remain a 10% probability of an outcome worse than 1C.

Appraisal well results will provide an update to the most likely resource volume and is expected to narrow the 1C to 3C range.

Development is economic with current 1C, 2C and 3C resources. Development is expected to proceed after appraisal provided the appraisal outcome is not worse than 1C (~95%), acceptable commercial arrangements can be secured with facility (FPSO, MOPU, FSO) owners (95%) and the joint venture partners can secure development funding (95%). RISC estimate the probability of development to be 86% (95%x95%x95%).

6. Commercial

6.1. Methodology

Development economics have been run using the discounted cash flow method for the above cases based on estimates of future production of assessed reserves/resources and forecasts of future capital and operating costs. For some assets, we have applied adjustments for risk or used unit oil and gas values achieved in recent analogous transactions. We have evaluated the 1C, 2C and 3C contingent resource scenarios and tested cost and price sensitivities.

RISC has audited cash flow models based on the fiscal terms applying under the respective PSCs. The model and data input have been based on 100% project cash flows. PSC Contractor share of value and oil entitlement has then been determined by applying the terms of the PSC.

AETL is subscribing for equity in Carnarvon Petroleum Timor which is the 100% contractor of the Buffalo PSC. Whilst Carnarvon Petroleum Timor itself will hold 100% of the economic interest in the oil entitlement and project economics, for the purposes of these calculations, AETL's indirect economic interest will be treated as equal to their proportionate equity interest in Carnarvon Petroleum Timor. However, for the avoidance of doubt, actual entitlement to oil and the project remains in Carnarvon Petroleum Timor.

AETL's economic entitlement and project economics will generally be equal to their farm-in interest of the 100% contractor values. The proposed subscription carry on the appraisal well and subsequent cost recovery of this has a minor effect on their net economics or oil entitlement.

A summary description of the fiscal regime/PSC terms and assumptions used in the models follows.

6.2. Fiscal regime/PSC terms

A summary of the PSC terms applying to the asset are:

- 100% cost recovery;
  - Uplift; 11% plus 30-yr US treasury bond rate
- 65% contractor share of profit oil;
- 30% corporate tax rate;
- 5% royalty from revenue; and
- nil supplemental tax.

6.2.1. Assumptions

RISC has audited and used Carnarvon Petroleum's economic model which has previously been audited by PWC.

- The effective date is assumed to be 1 January 2021;
- A base oil price forecast of US$50/bbl flat in real terms, with sensitivities of US$35/bbl and US$65/bbl flat real;
- 2% pa inflation has been applied to costs and prices; and
- Net Present Values ("NPVs") are reported at a 10% nominal discount rate.

6.2.1.1. *Oil price forecast*

The first half of 2020 has seen the worst oil price downturn in recent years, both in terms of speed and depth (Figure 6-1). This latest price crash was as a result of demand destruction brought on by the COVID-19 pandemic as well as untimely disputes on production cuts from OPEC.

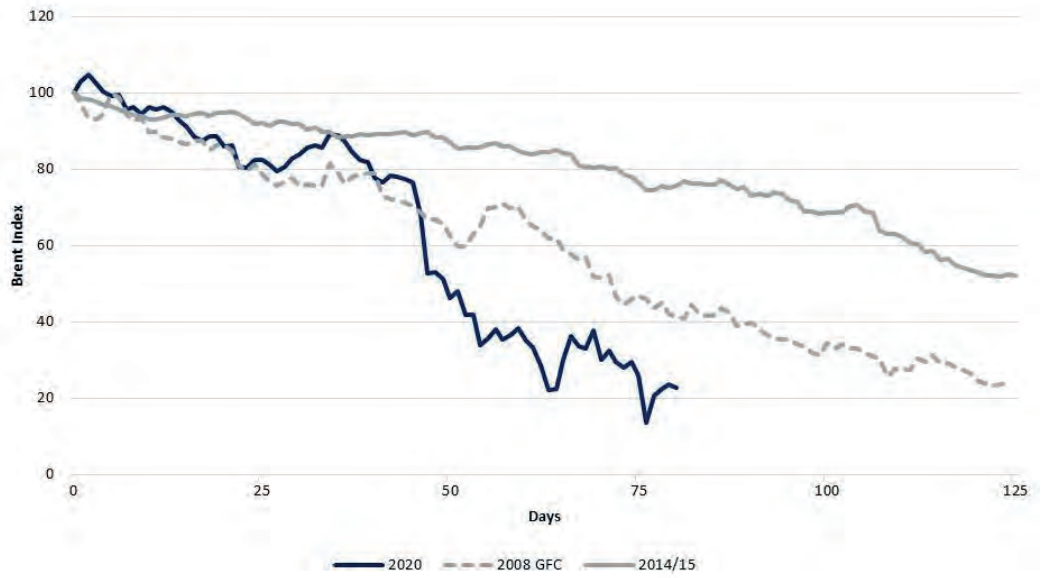


Figure 6-1: Brent Oil Price Index Performance History

Although demand recovery remains unclear, we consider that OPEC will continue to play an important role in influencing prices through supply. OPEC has been losing market share through production cuts since 2016 with the intention of supporting prices around US$50-60/bbl. This strategy of becoming the supply donor proved to be unsuccessful as any reduction from OPEC has been met by increased output from non-OPEC countries, particularly US shale producers.

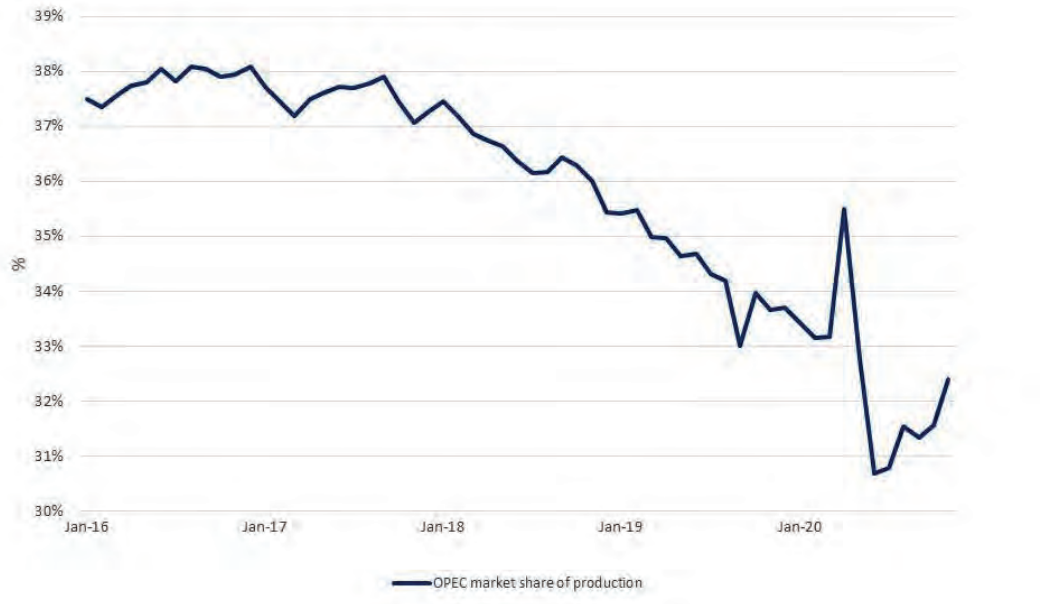


Figure 6-2: OPEC market share of global production

The May 2020 announcement by OPEC to cut production by 10 MMbbl/d provided little influence on prices as the global oil demand had already dropped by more than 20 MMbbl/d. Going forward, we consider that OPEC will defend its market share more aggressively and ensure that prices remain below US shale breakeven. Our analysis suggests that US shale breakeven price is around US$40/bbl WTI or US$45/bbl Brent.

We consider that the oil price will undergo a period of high volatility in the short term as global markets grapple with demand, inventories and storage capacity. Our mid case is representative of an OPEC controlled market of US$50/bbl flat real. We have provided a range around this figure of US$35 in the low case to account for further demand destruction from the COVID-19 pandemic and US$65 in the high case in a scenario that shows improved growth and lower output from capital-constrained US shale producers.

6.3. Economic results

Table 6-1 summaries the total contractor and AETD's indirect (50% contractor) resources entitlement and unrisked project NPV.

Table 6-1: Summary of economic evaluation of discovered assets

Resource Case	Contingent Resources after economic cut-off (MMstb)			NPV (US$ million, 10% nominal)	
	Total Field	100% Contractor	ADV (50%)[#2]	100% Contractor	ADV (50%)[#2]
1C	16.0	12.2	6.1	140	69
2C	34.3	25.0	12.5	339	169
3C	62.8	44.2	22.2	611	305

Notes:

1. NPV at 31 December 2020.
2. Based on AETL subscription to 50% equity in Carnarvon Petroleum Timor with a 100% carry of US$20 million appraisal with cost recovery. AETL indirect net NPV is slightly lower than 50% of the total contractor NPV due to the cost carry for appraisal.
3. The farm-in percentage is to be confirmed.

The project economics shown in this report represent the 100% contractor's interest and have not been adjusted for other factors (e.g. chance of development, strategic, political and security risks) that a buyer or seller may consider in any transaction concerning these assets and therefore should not be taken to be fair market values.

The development NPV has been tested against resource, cost and price uncertainties. Figure 6-3 is a tornado diagram of NPV sensitivities:

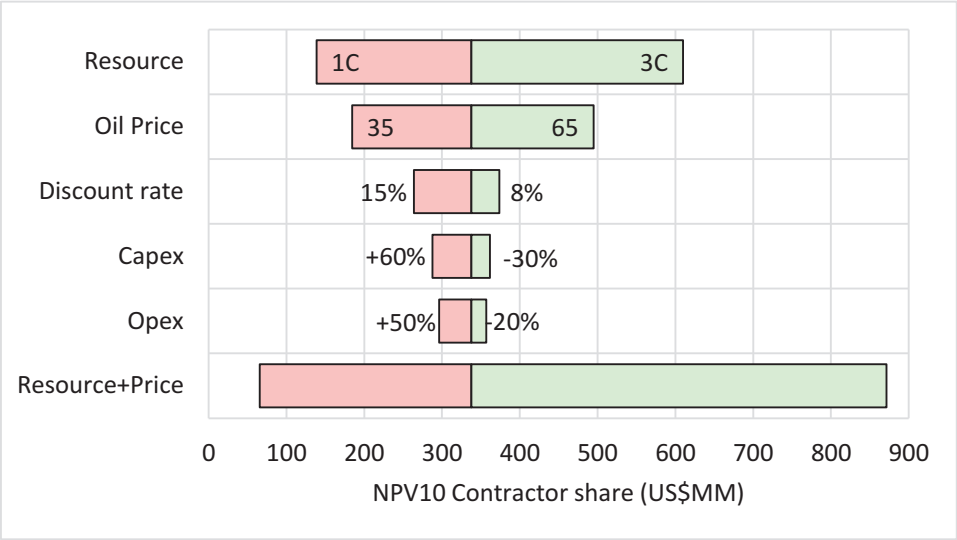


Figure 6-3: Contractor NPV tornado diagram

Figure 6-3 shows that the resource volume has the largest effect (other parameters as base case value) followed by oil price. Capex and Opex uncertainty have less effect. It also shows that the project is robust against the two highest sensitivities combined; resource volume and oil price.

Figure 6-4 shows the NPV sensitivity to individual sensitivities at different discount rates. The cost and price sensitivities have a small effect on contractor and AETL indirect oil entitlement.

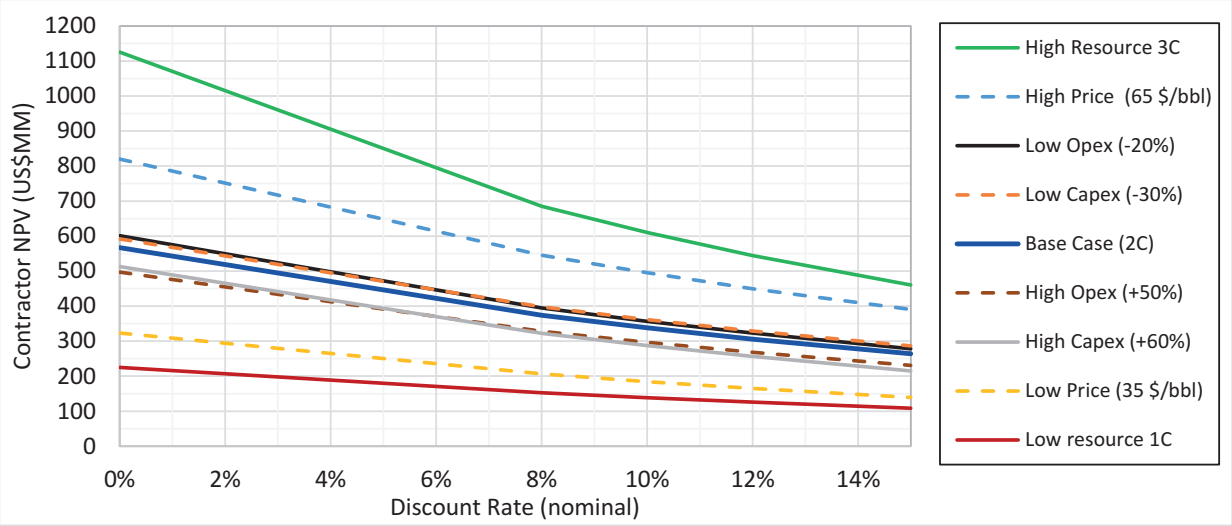


Figure 6-4: NPV sensitivity to key parameters

The economic production life is 3, 6 and 11 years in the 1C, 2C and 3C scenarios.

7. Declarations

7.1. Terms of Engagement

This CPR, any advice, opinions or other deliverables are provided pursuant to the Engagement Contract agreed to and executed by Advance Energy and RISC.

7.2. Qualifications

RISC is an independent oil and gas advisory firm. All of the RISC staff engaged in this assignment are professionally qualified engineers, geoscientists or analysts, each with many years of relevant experience and most have in excess of 20 years.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth, Brisbane, Jakarta and London. We have completed over 2,000 assignments in 70+ countries for nearly 500 clients. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

The preparation of this report has been managed by Mr Peter Stephenson who is an employee of RISC. Mr Stephenson is a member of the Society of Petroleum Engineers, Society of Petroleum Evaluation Engineers, Institute of Chemical Engineers and holds a BSc (Chemical Engineering), Nottingham University, 1982 and an MEng (Petroleum Engineering), Heriot Watt University, 1984. Mr Stephenson has over 35 years' experience in the sector and is a qualified petroleum reserves and resources evaluator (QPRRE) as defined by ASX listing rules, a Qualified Reserve Auditor (QRA) as defined by SPE and a member of the SPEE (Society of Petroleum Evaluation Engineers).

7.3. Standard

Reserves and resources are reported in accordance with the definitions of reserves, contingent resources and prospective resources and guidelines set out in the Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC), Society of Petroleum Evaluation Engineers (SPEE), Society of Exploration Geophysicists (SEG), Society of Petrophysicists and Well Log Analysts (SPWLA) and European Association of Geoscientists and Engineers (EAGE), revised June 2018.

7.4. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves/resources, future oil and gas production rates,

the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. While every effort has been made to verify data and resolve apparent inconsistencies, neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, we have not independently verified property title, encumbrances or regulations that apply to these assets.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, neither RISC nor its servants accept any liability for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, we have not independently verified property title, encumbrances, regulations that apply to this asset(s). RISC has also not audited the opening balances at the valuation date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses.

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

7.5. Use of advice or opinion and reliance

a) The CPR is for the sole benefit of the directors of Advance Energy plc and Strand Hanson Limited. ***It may not be relied upon by any 3rd party.***

RISC grants permission for this CPR to be disclosed in the Company's Admission Document.

7.6. Independence

RISC makes the following disclosures:

- RISC is independent with respect to Advance Energy and confirms that there is no conflict of interest with any party involved in the assignment.
- Under the terms of engagement between RISC and Advance Energy, RISC will receive a time-based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.
- Neither RISC Directors nor any staff involved in the preparation of this report have any material interest in Advance Energy or in any of the properties described herein.

7.7. Copyright

7.8. Authorisation for release

This CPR is authorised for release by Mr. Peter Stephenson, RISC Partner dated 23 March 2021.

Peter Stephenson

RISC Partner

8. List of terms

The following lists, along with a brief definition, abbreviated terms that are commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
1C	Low estimate contingent resource (P90 probability)
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
2C	Best estimate contingent resources (P50 probability)
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2D	Two Dimensional
3C	High estimate contingent resources (P10 probability)
3D	Three Dimensional
3P	The sum of Proved, Probable and Possible Reserves or in-place quantities, depending on the context.
AFE	Authority for Expenditure
Bbl	US Barrel
BBL/D	US Barrels per day
BCF	Billion (10^9) cubic feet
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BWPD	Barrels of water per day
°C	Degrees Celsius
Capex	Capital expenditure
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
CO_2	Carbon dioxide
CP	Centipoise (measure of viscosity)
CPR	Competent Person Report
DEG	Degrees
DHI	Direct hydrocarbon indicator
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
DST	Drill stem test
ESP	Electric submersible pump
EUR	Economic ultimate recovery

Term	Definition
Expectation	The mean of a probability distribution
F	Degrees Fahrenheit
FDP	Field Development Plan
FEED	Front End Engineering and design
FID	Final investment decision
FM	Formation
FPSO	Floating Production Storage and offtake unit
FWL	Free Water Level
GRV	Gross rock volume
H_2S	Hydrogen sulphide
HHV	Higher heating value
JV(P)	Joint Venture (Partners)
km^2	Square kilometres
m	Metres
MDT	Modular dynamic (formation) tester
mD	Millidarcies (permeability)
MMbbl	Million US barrels
MMscf(d)	Million standard cubic feet (per day)
MMstb	Million US stock tank barrels
MOD	Money of the Day (nominal dollars) as opposed to money in real terms
MOPU	Mobile Offshore Production Unit
Mscf	Thousand standard cubic feet
Mstb	Thousand US stock tank barrels
MPa	Mega (10^6) pascal (measurement of pressure)
mss	Metres subsea
mTVDss	Metres true vertical depth subsea
NPV	Net Present Value (of a series of cash flows)
NTG	Net to Gross (ratio)
OOIP	Original Oil in Place
Opex	Operating expenditure
OWC	Oil-water contact
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively.
PBU	Pressure build-up
POS	Probability of Success
Possible	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes

Term	Definition
Reserves	associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.
Proved Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as “Proven”.
PSC	Production Sharing Contract
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
psia	Pounds per square inch pressure absolute
PVT	Pressure, volume & temperature
rb/stb	Reservoir barrels per stock tank barrel under standard conditions
RFT	Repeat Formation Test
Real Terms (RT)	Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day
Reserves	RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
RT	Measured from Rotary Table or Real Terms, depending on context

Term	Definition
SPE	Society of Petroleum Engineers
SPE-PRMS	Petroleum Resources Management System, prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC), Society of Petroleum Evaluation Engineers (SPEE), Society of Exploration Geophysicists (SEG), Society of Petrophysicists and Well Log Analysts (SPWLA) and European Association of Geoscientists and Engineers (EAGE), revised June 2018.
stb	Stock tank barrels
STOIIP	Stock Tank Oil Initially In Place
Sw	Water saturation
TVD	True vertical depth
TVDSS	True Vertical Depth Sub-Sea
TWT	Two Way Time
US$	United States dollar
WHFP	Well Head Flowing Pressure
WHP	WellHead Platform or WellHead Pressure
Working interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.
WPC	World Petroleum Council
WTI	West Texas Intermediate Crude Oil

PART IV – HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

In accordance with Rule 28 of the AIM Rules for Companies, this document does not contain historical financial information on the Company which would otherwise be required by Section 20 of Annex I of the UK Prospectus Delegated Regulation.

The following documents are instead incorporated by reference into this document:

- the unaudited consolidated financial statements of Advance set out in the interim results of the Company for the six months ended 31 October 2020 (the "**2020 Interim Results**")
- the consolidated financial statements of Advance set out in the annual report and accounts of the Company for the financial year ended 30 April 2020, together with the audit report thereon (the "**2020 Annual Report**");
- the consolidated financial statements of Advance set out in the annual report and accounts of the Company for the financial year ended 30 April 2019, together with the audit report thereon (the "**2019 Annual Report**"); and
- the consolidated financial statements of Advance set out in the annual report and accounts of the Company for the financial year ended 31 December 2018, together with the audit report thereon (the "**2018 Annual Report**").

Lubbock Fine LLP, of 65 St Paul's Churchyard, London, EC4M 8AB United Kingdom, has issued an unqualified audit opinion on the consolidated financial statements of Advance Energy for each of the years ended 30 April 2020, 2019 and 2018.

The 2020 Interim Results, 2020 Annual Report, the 2019 Annual Report and the 2018 Annual Report are available at: www.advanceplc.com and contain information which is relevant to this document.

PART V – HISTORICAL FINANCIAL INFORMATION ON CARNARVON PETROLEUM TIMOR, UNIPESSOAL, LDA

SECTION A: HISTORICAL INFORMATION AND ACCOUNTANTS REPORT ON CARNARVON PETROLEUM TIMOR, UNIPESSOAL, LDA

Lubbock Fine LLP

LubbockFine
Chartered Accountants

The Directors
Advance Energy Plc
55 Athol Street
Douglas
IM1 1LA
Isle Of Man

The Directors
Strand Hanson Ltd
26 Mount Row
Mayfair
London
W1K 3SQ

31 March 2021

Dear Sirs

Carnarvon Petroleum Timor, Unipessoal, LDA

We report on the financial information set out in Section B of Part V (the "**financial information**") relating to Carnarvon Petroleum Timor, Unipessoal, LDA (the "**Company**"). The information has been prepared for inclusion in the admission document dated 31 March 2021 (the "**Admission Document**") relating to the proposed readmission to AIM of the group headed by Advance Energy Plc (the "**Group**") and on the basis of the accounting policies set out at Note 2 to the financial information. This report is given for the purpose of complying with paragraph (a) of Schedule Two to the AIM Rules and for no other purpose.

Responsibilities

The Directors of the Company and Group are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 2 to the financial information and International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules.

Yours faithfully

Lubbock Fine LLP
Regulated by the Institute of Chartered Accountants in England and Wales

SECTION B: HISTORICAL INFORMATION ON CARNAVON PETROLEUM TIMOR, UNIPESSOAL, LDA

STATEMENT OF COMPREHENSIVE INCOME

	Note	*For the period ended 31 October 2020 US$'000*	*For the year ended 31 December 2019 US$'000*	*For the period ended 31 December 2018 US$'000*
Revenue		–	–	–
Cost of sales		–	–	–
Gross profit		–	–	–
Administrative expenses		(321)	(108)	–
Operating loss		(321)	(108)	–
Finance costs		(1)	–	–
Loss on ordinary activities before taxation		(322)	(108)	–
Taxation		–	–	–
Loss from continuing operations		(322)	(108)	–
Basic and diluted loss per share attributable to owners of the parent during the year		(322)	(108)	–

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	*As at 31 October 2020 US$'000*	*As at 31 December 2019 US$'000*	*As at 31 December 2018 US$'000*
Assets				
Non-current assets				
Intangible assets	7	1,200	701	–
Property, plant and equipment	6	2	2	–
		1,202	703	–
Current assets				
Cash and cash equivalents	5	24	3	–
Trade and other receivables		–	–	5
		24	3	–
Total Assets		1,226	706	5
Liabilities				
Current liabilities				
Trade and other payables	8	9	–	–
Provisions	9	3	–	–
Loans payable	10	1,639	809	–
		1,651	809	–
Total Liabilities		1,651	809	–
Total Net Liabilities		(425)	(103)	5
Shareholders' equity				
Share Capital	11	5	5	5
Accumulated deficit		(430)	(108)	–
Total Shareholders' equity		(425)	(103)	5

The accompanying notes form an integral part of this historical financial information.

STATEMENT OF CHANGES IN EQUITY

	Share Capital US$'000	*Accumulated Deficit US$'000*	*Total Equity US$'000*
Loss for the period to 31 December 2018	–	–	–
Total comprehensive loss	–	–	–
Shares issued	5	–	5
Balance at 31 December 2018	5	–	5
Loss for the period to 31 December 2019	–	(108)	(108)
Total comprehensive loss	–	(108)	(108)
Shares issued	–	–	–
Balance at 31 December 2019	5	(108)	(103)
Loss for the period to 31 October 2020	–	(322)	(322)
Total comprehensive loss	–	(322)	(322)
Shares issued	–	–	–
Balance at 31 October 2020	5	(430)	(425)

The accompanying notes form an integral part of this historical financial information.

STATEMENT OF CASH FLOWS

	For the period ended 31 October 2020 US$'000	*For the year ended 31 December 2019 US$'000*	*For the period ended 31 December 2018 US$'000*
Cash flows from operating activities			
Loss after tax	(322)	(108)	–
Depreciation	–	–	–
Decrease in trade and other receivables	–	–	–
Increase in trade and other payables	9	–	–
Increase in provisions	3		
Net cash outflows from operating activities	(310)	(108)	–
Cash flows from investing activities			
Investment in intangibles	(499)	(701)	–
Purchase of property, plant and equipment	–	(2)	–
Net cash used in investing activities	(499)	(703)	–
Cash flows from financing activities			
Loan drawdowns	830	809	–
Proceeds from issue of share capital	–	5	–
Net cash generated from financing activities	830	814	–
Net increase in cash and cash equivalents	21	3	–
Cash and cash equivalents at the beginning of financial period	3	–	–
Foreign currency translation differences	–	–	–
Cash and cash equivalents at the end of the financial period	24	3	–

The accompanying notes form an integral part of this historical financial information.

NOTES TO THE FINANCIAL INFORMATION

1. General Information

Carnarvon Petroleum Timor, Unipessoal Lda (the "**Company**") was incorporated on 7 August 2018 in Timor-Leste with company number 2003254; however, the Company did not commence operations until after 1 January 2019. The registered office of the Company is Timor Plaza, Level 4, Office 415, Comoro, Dom Aleixo, Dili, Timor-Leste. The principal activity of the Company is the exploration, production and development of oil and gas in Timor-Leste.

The current financial period in the historical financial information covers the period from 1 January 2020 to 31 October 2020. The comparative periods in this historical financial information cover the periods from 1 January 2019 to 31 December 2019, and 7 August 2018 (being the date of incorporation) to 31 December 2018.

2. Accounting policies

The principal accounting policies applied in the preparation of this financial information are set out below ('Accounting Policies' or 'Policies'). These Policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparing of financial statements

The financial information of the Company has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The financial information has been prepared under the historical cost convention.

The financial information is presented in United States dollars ("**USD**"), which is the Company's functional currency. All amounts have been rounded to the nearest thousand USD, unless otherwise indicated.

The preparation of financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 3.

(a) New and amended standards mandatory for the first time for financial periods beginning on or after 1 January 2018

The Company adopted all changes to IFRSs that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2018, which included IFRS 9, IFRS 16, and amendments to IAS 28 and IAS 19. These adoptions did not have any material impact on the financial statements of the Company.

(b) New standards, amendments and interpretations in issue but not yet effective or not yet endorsed and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Financial Statements are listed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standard	*Detail*	*Effective Date*
IFRS 7	Amendments resulting from interest rate benchmark reform	1 January 2021
IFRS 9	Amendments resulting from interest rate benchmark reform	1 January 2021
IAS 1	Amendment – regarding the classification of liabilities	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
IFRS 3	Reference to the Conceptual Framework	1 January 2023
	Annual improvements to IFRS standards	1 January 2022
IAS 16	Amendments to proceeds before intended use	1 January 2022

The Company is evaluating the impact of the new and amended standards above. The Directors believe that these new and amended standards are not expected to have a material impact on the Company's results or shareholders' funds.

2.2 Going concern

The financial information has been prepared on a going concern basis. The Company relies on funds from its Parent Company in order to meet its financial obligations as and when they fall due. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial information.

2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and are subject to an insignificant risk of changes in value.

2.4 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

Office and computer equipment	10% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within the Income Statement.

2.5 Exploration and evaluation assets

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred.

Exploration and evaluation assets are intangible assets. Exploration and evaluation assets represent the costs incurred on the exploration and evaluation of potential hydrocarbon resources, and include costs such as seismic acquisition and processing, exploratory drilling, activities in relation to the evaluation of technical feasibility and commercial viability of extracting hydrocarbons, and general & administrative costs directly relating to the support of exploration and evaluation activities.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use. Assets are allocated to cash generating units not larger than operating segments for impairment testing. Purchased exploration and evaluation assets are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination. They are subsequently stated at cost less accumulated impairment. Exploration and evaluation assets are not amortised.

2.6 Trade payable and accrued liabilities

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

2.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.8 Other reserves

Accumulated deficit – the accumulated deficit reserve includes all current and prior periods accumulated losses.

2.9 Foreign currencies

(a) Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is United States dollars ("**USD**"). The financial information is presented in USD, rounded to the nearest thousand USD, which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within 'foreign exchange loss'. All other foreign exchange gains and losses are presented in the income statement within 'foreign exchange loss'.

2.10 Taxation

Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.11 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the local management team under policies approved by the Directors.

(a) Market risk

The Company is exposed to market risk, primarily relating to interest rate, foreign exchange and commodity prices. The Company does not hedge against market risks as the exposure is not deemed sufficient to enter into forward contracts. The Company has not sensitised the figures for fluctuations in interest rates, foreign exchange or commodity prices as the Directors are of the opinion that these fluctuations would not have a significant impact on the financial information of the Company at the present time. The Directors will continue to assess the effect of movements

in market risks on the Company's financial operations and initiate suitable risk management measures where necessary.

(b) Credit risk

Credit risk arises from cash and cash equivalents as well as outstanding receivables. To manage this risk, the Company periodically assesses the financial reliability of customers and counterparties.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board. The Company's total exposure to credit risk is shown in Note 5.

The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

(c) Liquidity risk

Liquidity risk arises from the Company's reliance on funds from its Parent Company in order to meet its financial obligations as and when they fall due.

2.12 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to enable the Company to continue its operations, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the issue of shares or sell assets to reduce debts.

The Company defines capital based on the total current assets less current liabilities of the Company. The Company monitors its level of cash resources available against future planned operational activities and may issue new shares in order to raise further funds from time to time.

2.13 Financial instruments – fair values

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of bank balances and cash and amounts due from related parties.

The fair values of the Company's financial instruments are not materially different from their carrying amounts at the reporting date largely due to the short-term maturities of these instruments.

3. Accounting estimates and judgements

The preparation of the financial information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce this financial information.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

The determination of reserves and resources is, in itself, an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the company defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written

off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

4. Taxation

	For the period ended 31 October 2020 US$'000	*For the year ended 31 December 2019 US$'000*	*For the period ended 31 December 2018 US$'000*
Total income tax charge	–	–	–

A reconciliation of the income tax expense applicable to the accounting loss before tax at the statutory income tax rate to the income tax expense at the Company's effective income tax rate is as follows:

	For the period ended 31 October 2020 US$'000	*For the year ended 31 December 2019 US$'000*	*For the period ended 31 December 2018 US$'000*
Accounting loss before tax	(322)	(108)	–
Expected tax credit at standard Timor-Leste effective corporation tax of 30%	(97)	(32)	–
Disallowed expenses	–	–	–
Tax losses not recognised	97	32	–
Tax charge for the year	–	–	–

The Company has cumulative tax losses arising in Timor-Leste of US$430,000 (2019: US$108,000; 2018: Nil) and a deferred tax asset not recognised in the accounts of US$129,000 (2019: US$32,000; 2018: Nil) that are available indefinitely for offset against future taxable profits of the Company. The Directors do not consider it appropriate to provide for any deferred tax asset on the basis that there are insufficient profits arising in the foreseeable future against which to offset the losses.

5. Cash and cash equivalents

	As at 31 October 2020 US$'000	*As at 31 December 2019 US$'000*	*As at 31 December 2018 US$'000*
Cash in hand	–	–	–
Cash at bank	24	3	–
Cash and cash equivalents	24	3	–

6. Property, plant and equipment

Office and computer equipment	*Cost US$'000*	*Accumulated depreciation US$'000*	*Net book value US$'000*
Additions	–	–	–
Disposals	–	–	–
Depreciation charge	–	–	–
Balance at 31 December 2018	–	–	–
Additions	2	–	2
Disposals	–	–	–
Depreciation charge	–	–	–
Balance at 31 December 2019	2	–	2
Additions	–	–	–
Disposals	–	–	–
Depreciation charge	–	–	–
Balance at 31 October 2020	2	–	2

7. Intangible assets

Exploration and evaluation assets	*As at 31 October 2020 US$'000*	*As at 31 December 2019 US$'000*	*As at 31 December 2018 US$'000*
Balance at beginning of period	701	–	–
Technical work – Buffalo project	499	701	–
Balance at end of period	1,200	701	–

The Buffalo project is an oil field development project situated between Australia and Timor-Leste.

8. Trade and other payables

	As at 31 October 2020 US$'000	*As at 31 December 2019 US$'000*	*As at 31 December 2018 US$'000*
Trade creditors	4	–	–
Other payables	5	–	–
Trade and other payables	9	–	–

9. Provisions

	As at 31 October 2020 US$'000	*As at 31 December 2019 US$'000*	*As at 31 December 2018 US$'000*
Provision for annual leave	3	–	–
Provisions	3	–	–

10. Loans payable

	As at 31 October 2020 US$'000	*As at 31 December 2019 US$'000*	*As at 31 December 2018 US$'000*
Balance at beginning of period	809	–	–
Drawdowns	830	809	–
Repayments	–	–	–
Balance at end of period	1,639	809	–

Ageing of loans payable:

	As at 31 October 2020 US$'000	*As at 31 December 2019 US$'000*	*As at 31 December 2018 US$'000*
Current	1,639	809	–
Non-current	–	–	–
	1,639	809	–

The loan has been provided by the Company's Parent Company and is interest-free and repayable on demand.

11. Share capital

	Share capital	
	Number of share quotas	*US$'000*
31 December 2018	1	5
31 December 2019	1	5
31 October 2020	1	5

12. Related party transactions

Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The following table sets out the persons classified as key personnel and their remuneration:

For the period ended 31 October 2020:

Name	*Position*	*Salary and fees US$'000*	*Other cash benefits US$'000*	*Post employment benefits US$'000*	*Total US$'000*
Mr EA Lay	Director & Country Manager	78	–	4	82
		78	–	4	82

For the year ended 31 December 2019:

Name	*Position*	*Salary and fees US$'000*	*Other cash benefits US$'000*	*Post employment benefits US$'000*	*Total US$'000*
Mr EA Lay	Director & Country Manager	18	–	–	18
		18	–	–	18

For the period ended 31 December 2018:

Name	*Position*	*Salary and fees US$'000*	*Other cash benefits US$'000*	*Post employment benefits US$'000*	*Total US$'000*
Mr EA Lay	Director & Country Manager	–	–	–	–
		–	–	–	–

Transactions and period end balances with related parties

Transactions with related parties included in the statement of comprehensive income:

	For the period ended 31 October 2020 US$'000	*For the year ended 31 December 2019 US$'000*	*For the period ended 31 December 2018 US$'000*
Parent Company – service charge	178	65	–
Parent Company – overhead	16	6	–
Administration expenses	194	71	–

Transactions with related parties disclosed in the statement of financial position:

	As at 31 October 2020 US$'000	*As at 31 December 2019 US$'000*	*As at 31 December 2018 US$'000*
Balance at the beginning of the period	701	–	–
Parent Company – exploration and evaluation	499	701	–
Total exploration and evaluation assets	1,200	701	–

Balances due from and due to related parties disclosed in the statement of financial position:

	As at 31 October 2020 US$'000	*As at 31 December 2019 US$'000*	*As at 31 December 2018 US$'000*
Parent Company – other receivable	–	–	5
Total receivables from related parties	–	–	5
Parent Company – loan payable	1,639	809	–
Total payables to related parties	1,639	809	–

Amounts due from/to related parties included in the statement of financial position are interest-free and have no fixed repayment terms.

13. Commitments

There were no capital commitments authorised by the Directors or contracted other than those provided for in these financial statements as at 31 October 2020 (31 December 2019: None; 31 December 2018: None), or as described below.

Exploration commitments

At 31 October 2020 the Company has the obligation to drill a well in Buffalo PSC Contract Area TL-SO-T 19-14, offshore Timor-Leste (the "**Buffalo Project**") at an estimated cost of US$20 million. The well must be drilled no later than 26 May 2023.

Office rental commitments

The Company has entered into obligations in respect if office premises. Commitments for the payment of office rental in existence at the reporting date but not recognised as liabilities are as follows:

	As at 31 October 2020 US$'000	*As at 31 December 2019 US$'000*	*As at 31 December 2018 US$'000*
Within one year	4	–	–
More than 1 year, less than 3 years	–	–	–
Total	4	–	–

14. Parent company information

The Company is a wholly owned subsidiary of Timor-Leste Petroleum Pty Ltd ("**Parent Company**") which is a wholly owned subsidiary of Carnarvon Petroleum Limited ("**Ultimate Parent Company**"), a public company listed on the Australian Securities Exchange. The financial statements of the Company are consolidated into the financial statements of the Ultimate Parent Company which can be accessed on their website: https://www.carnarvon.com.au/annual-reports/

PART VI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS FOR THE ENLARGED GROUP

Set out below is an unaudited pro forma statement of net assets as at 31 October 2020 (the "**Unaudited Pro Forma Financial Information**") of Advance Energy plc (including consolidated subsidiaries) ("**the Group**") and a 50 per cent. interest in Carnarvon Petroleum Timor, Unipessoal, LDA (together "**the Enlarged Group**"). The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared on the basis set out in the notes below to illustrate the impact of the Placing and proposed acquisition as if it had taken place on 31 October 2020.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only. Because of its nature it addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results. Such information may not, therefore, give a true picture of the Enlarged Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

The Unaudited Pro Forma Financial Information is based on the unaudited net assets of the Enlarged Group as at 31 October 2020 as incorporated by reference in Part IV (Historical Financial Information) of this document. No adjustments have been made to take account of trading, expenditure or other movements subsequent to 31 October 2020, being the date of the last published balance sheet of the Group.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act. Investors should read the whole of this Document and not rely solely on the summarised financial information contained in this Part.

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS AS AT 31 OCTOBER 2020

	The Group as at 31 October 2020 (Note 1) US$'000 (unaudited)	*Pro forma adjustments*		*Pro Forma Net Assets as at 31 October 2020 US$'000 (unaudited)*
		Placing of shares (Note 2) US$'000	*Acquisition (Note 3) US$'000*	
Non-current assets				
Investment in associate	–	–	20,000	20,000
	–	–	20,000	20,000
Current assets				
Other receivables	14		–	14
Cash and cash equivalents	261	27,512	(20,000)	7,773
	275	27,512	(20,000)	7,787
Total assets	275	27,512	–	27,787
Current liabilities				
Trade and other payables	(592)	–	–	(592)
Total liabilities	(592)	–	–	(592)
Net assets	(317)	27,512	–	27,195

Notes

The pro forma statement of net assets has been prepared on the following basis:

1. The financial information has been extracted, without material adjustment, from the unaudited interim Financial Statements of the Group for the six months ended 31 October 2020 as incorporated by reference in Part IV of this document.

2. The Placing receipts are conditional on Admission. The net Placing receipts of US$27,512,000 are derived as estimated Placing receipts of US$30,034,000 after deducting broker commission of US$1,517,000 and estimated fees and expenses relating to the Placing of US$1,005,000. The exchange rate in translating between GBP and US$ is 1.375.

3. The acquisition of shares in Carnarvon Petroleum Timor, Unipessoal, LDA is dependent on the Placing receipts, and this adjustment assumes the receipts shown in Note 2. This investment is recognised as an investment in associates and is accounted for using the Equity Accounting method, in line with the accounting policies of the Group.

4. No adjustments have been made to the historical results of any entities within the Enlarged Group to reflect the trading or other transactions. The pro forma statement of net assets does not constitute financial statements.

PART VII

ADDITIONAL INFORMATION

1 Responsibility

The Directors, whose names and functions are set out on page 9 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

RISC Advisory Pty Ltd, the Competent Person, accepts responsibility for this report set out in Part III of this document. To the best of the knowledge of RISC Advisory Pty Ltd (which has taken all reasonable care to ensure that such is the case), the information contained in such report is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Company

2.1 The Company was incorporated as Clean Energy Brazil plc, a company limited by shares, on 19 September 2006 in the Isle of Man. On 22 November 2013, the Company de-registered as a Company incorporated under the Companies Act 1931 to a Company incorporated under the Act with Company name CEB Resources Plc. On 1 December 2015, CEB Resources plc changed its name to Andalas Energy and Power plc. On 4 February 2020, Andalas Energy and Power plc changed its name to Advance Energy plc.

2.2 The registered office and business address of the Company is 55 Athol Street, Douglas, IM1 1LA, Isle of Man and the central telephone number is +44 (0)1624 681 250.The address of the Company's website on which the information required by Rule 26 of the AIM Rules is available is https://www.advanceplc.com/investor-relations/aim-rule-26-compliance/.

2.3 The Company's registered number is 010493V. The legal entity identifier ("**LEI**") for the Company is 213800TZWOYU7UFZ5V63.

2.4 The Company is subject to the Act, the Takeover Code and the AIM Rules.

2.5 The principal legislation under which the Company operates is the Act and regulations made under the Act.

2.6 The ISIN number of the Existing Ordinary Shares is IM00BZ7PNY71. The ISIN number of the New Ordinary Shares is IM00BKSCP798. The Ordinary Shares have been created pursuant to the Act under the laws of Isle of Man.

2.7 The liability of the members of the Company is limited.

3 Share Capital History of the Group

3.1 A summary of the changes in the Group's share capital for the period covering the last three financial years is set out as follows:

(a) 23 May 2017 – the Company announced a raise of £600,000 via a placing of 600,000,000 Ordinary Shares at a price of 0.1 pence per share;

(b) 14 August 2017 – the Company announced a raise of £1,050,000 via a placing of 1,615,384,615 Ordinary Shares at a price of 0.065 pence per share;

(c) 27 November 2017 – the Company announced a placing of 1,277,139,208 Ordinary Shares (to raise £500,000) at an issue price of 0.03915 pence per share;

(d) 30 April 2018 – the Company announced a raise of £600,000 via the issue of 3,529,411,765 Ordinary Shares at a price of 0.017 pence per share;

(e) 11 July 2018 – the Company announced a raise of gross proceeds of £1,000,000 via a placing of 5,000,000,000 Ordinary Shares at a price of 0.02 pence per share;

f) 3 August 2018 – the Company announced that following the passing of a share consolidation resolution at the AGM, every 50 Ordinary Shares that were in issue as at the close of business 9 August 2018, were consolidated into one Ordinary Share;

g) 27 February 2019 – the Company announced a raise of £1,000,000 via a placing of 222,222,222 Ordinary Shares at a price of 0.45 pence per share;

(h) 26 June 2019 – the Company received a conversion notice in respect of £560,000 of notes and issued 373,333,333 Ordinary Shares at a price of 0.15 pence per share;

(i) 3 July 2019 – the Company announced that it has issued a further £100,000 of notes to Optiva Securities pursuant to the convertible loan note facility announced on 21 June 2019, and concurrently received a conversion notice in respect of those notes. Accordingly, the Company issued 66,666,666 Ordinary Shares at a price of 0.15 pence per share;

(j) 23 December 2019 – the Company announced that it has raised £250,000 through a placing of 166,666,667 Ordinary Shares at a price of 0.15 pence per share;

(k) 4 February 2020 – the Company announced a raise of £525,000 by a subscription of 349,999,998 Ordinary Shares at 0.15 pence per subscription share. The Company awarded a total of 137.5 million options over Ordinary Shares to its executive directors and certain senior management. The options are all exercisable at 0.30 pence per share, representing a premium of 100% over the subscription price, and vest, over a two-year period. Tranche 1 vests immediately (68,750,000 shares);

(l) 12 November 2020 – the Company announced that it raised £300,000 (gross) by way of a placing of 136,363,636 Ordinary Shares at a price of 0.22 pence per share. In addition to the placing shares, the Company agreed to issue 21,416,515 Ordinary Shares at such placing price to various creditors to settle outstanding amounts.

4 Articles of Association

The Articles were adopted by a special resolution passed on 30 November 2020. The Company proposes to adopt the Amended Articles on Admission, which contain minor amendments covering holding general meetings electronically, and provisions regarding the disclosure of shareholder interests under the DTR. The following is a summary of the rights attached to the Ordinary Shares based on the Articles contain (which are not proposed to change under the Amended Articles), amongst others, provisions to the following effect. This is a high level summary only which is not exhaustive and is qualified in its entirety by the full terms of the Articles:

Share Capital

The share capital of the Company consists of an unlimited number of Ordinary Shares of no par value. A share may be issued with or without a par value. A share is deemed to be issued when the name of the member is entered in the members' register.

The Directors of the Company may by resolution change the par value of the share capital of the Company as they consider fit.

Subject to the provisions of the Act and rights attaching to any shares, the Company may by Special Resolution reduce its share capital in any manner provided that the Directors are satisfied the Company will satisfy the Solvency Test referred to in section 49 of the Act.

The Company may purchase, redeem or otherwise acquire its own shares for any consideration provided that the Company continues to have at least one member at all times.

Share Rights

Rights of different classes of shares

Subject to the Act and special rights attached to existing shares, any shares may be allotted or issued with preferred, deferred or other special rights in regard to dividends, voting, transfer, return of capital or otherwise. This may be determined by the Board of the Company or via Special Resolution.

Subject to the Act, the Company may issue redeemable shares. The date of redemption must be fixed by directors before the shares are issued. Unless as specified otherwise, the amount payable on redemption shall be the amount paid up on such shares.

The Company shall have no power to issue warrants stating the bearer's entitlement to shares, however the Company may create warrants to subscribe for shares.

The Company in a general meeting may by Ordinary Resolution consolidate all or any of its shares; redenominate all or any of such shares as shares denominated in another currency on such basis as the Board sees fit; and sub-divide such shares or any of them. The Board may then, as a result of a consolidation, division or sub-division of shares, deal with fractions of a share any member would become entitled to.

Voting rights

At any general meeting a resolution put to vote shall be decided upon by a show of hands, unless a poll vote is demanded.

Subject to provisions in the Act and special terms as to voting on which any shares may have been issued or held in suspension or abrogation pursuant to the Articles, every member shall on a show of hands have one vote and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative shall have one vote for each share of which he is the holder.

In the case of equality of votes, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote in addition to any other vote he may have.

No member shall be entitled to vote or count in a quorum in respect of any share held by him unless all calls or other sums payable by him in respect of that share have been paid to the Company.

Variation of rights

Subject to the Act, if the share capital of the Company is divided into different classes, any of the rights being attached to any shares or class of shares in the Company may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than 3 quarters of the Voting Rights, attached to the issued shares of the class or with the sanction of a Special Resolution of the members of that class. This shall also apply to the variation or abrogation of special rights attached to only some shares within a particular class. Subject to the terms of issue or rights attached to any shares, where a class of shares is to become or cease to become a Participating Security, the class of shares shall be deemed not to be varied or abrogated by the Board.

Subject to the terms on which shares may be issued, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of capital paid up on the shares or by allotment of further shares ranking in priority for payment of dividend. Such rights or privileges shall also be deemed to be varied or abrogated If such newly allotted shares confer more favourable rights than the pre-existing shares but not cause such variation or abrogation where the newly created shares rank *pari passu* in all respects with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Act and the Articles.

Suspension of rights attaching to shares

Despite anything in the Articles to the contrary, if a notice issued by the Company requiring the disclosure of interests in shares (a "**Disclosure Notice**") has been served on a member or a person appearing to be interested in Specified Shares; and if the company has not received the information required in respect of

the Specified Shares within a period of 14 days (subject as provided in Articles 82.10 and 82.12) after the service of the Disclosure Notice then the Board may determine that the member holding or who is interested in Specified Shares is subject to the Restrictions in respect of such shares. The company shall, as soon as practicable after the determination, give notice to the relevant member stating that the Specified Shares shall be subject to the Restrictions stated in the notice.

Subject to Articles 82.7, 82.10 and 82.12, the Restrictions which the Board determines applicable to Specified Shares shall be one or more of the following: (i) the member holding the Specified Shares shall not be entitled to vote at any meeting, either on a show of hands or on a poll, or exercise any other right in relation to any meeting; (ii) no transfer of the Specified Shares shall be effective (iii) no dividend, or election to receive shares instead of a dividend shall be paid to the member holding them.

If the Company receives the information required in the relevant Disclosure Notice, the Board shall, within 7 days of receipt, determine that all Restrictions imposed on the Specified Shares shall cease to apply. The Board shall determine that all Restrictions imposed on the Specified Shares shall cease to apply if the Company receives an executed and if necessary duly stamped instrument of transfer in respect of the Specified Shares, which would otherwise be given effect to, by (i) a sale of the Specified Shares on the London Stock Exchange or (ii) acceptance of an offer to acquire all the shares or all the shares of any class or classes in the Company, being an offer on terms which are the same in relation to all the shares to which the offer relates or, where those include shares of different classes, in relation to all the shares of each class or (iii) a sale which to be a *bona fide* sale of the whole of the beneficial interest in the Specified Shares to a person who is unconnected with the member or with another person appearing to be interested in the shares.

Any unpaid dividends or sums not paid on the Specified Shares by reason of Restrictions having been imposed shall accrue (without interest) and be payable on the relevant Restrictions ceasing to apply.

If the Board makes a determination under Article 82.7 it shall notify the purported transferee as soon as practicable and any person may make representations in writing to the Board concerning the determination. Neither the Company nor the Board shall in any event be liable to any person as a result of the Board having imposed Restrictions or failed to determine the Restrictions shall cease to apply, if the Board has acted in good faith.

Specified Shares issued subject to particular Restrictions shall, on issue, become subject to the same Restrictions as the same relevant Specified Shares. For this purpose, shares which the Company procures to be offered to members *pro rata* shall be treated as shares issued in right of Specified Shares.

The Board may, at its discretion, suspend, in whole or in part, a Restriction, either permanently or for a given period, and may pay a dividend or other sums payable in respect of the Specified Shares to a trustee (subject to the Restriction referred to in Article 82.6.3). Notice of suspension, specifying the Restrictions suspended and the period of suspension, shall be given by the Company to the relevant holder as soon as practicable.

Transfer

Subject to the Act, if the share capital of the Company is divided into different classes, any of the rights being attached to any shares or class of shares in the Company may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than 3 quarters of the Voting Rights, attached to the issued shares of the class or with the sanction of a Special Resolution of the members of that class. This shall also apply to the variation or abrogation of special rights attached to only some shares within a particular class. Subject to the terms of issue or rights attached to any shares, where a class of shares is to become or cease to become a Participating Security, the class of shares shall be deemed not to be varied or abrogated by the Board.

Subject to the terms on which shares may be issued, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of capital paid up on the shares or by allotment of further shares ranking in priority for payment of dividend. Such rights or privileges shall also be deemed to be varied or abrogated If such newly allotted shares confer more favourable rights than the pre-existing shares but not cause such variation or abrogation where the newly created shares rank *pari passu* in all

respects with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Act and the Articles.

Transfer of shares

Subject to the Articles, a member may transfer all or any of his shares in a manner approved by the Board.

The Board may refuse to register any transfer of certificated or uncertificated share: (i) of any class which is not fully paid, provided that where such shares are admitted to AIM such discretion may not be exercised in such a way to prevent dealings in the shares of that class from taking place on an open and proper basis; (ii) unless the transfer is in respect of one class of shares and is in favour of no more than four transferees and the instrument of transfer is deposited at the registered office or other place appointed by the board accompanied by the certificate for the shares to which it relates and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer; and (iii) if the transfer is in favour of any Non-Qualified Holder.

The Board may refuse to register any transfer of an uncertificated share where permitted by the Uncertificated Regulations.

The Board shall retain any instrument of transfer which is registered and return instruments that are refused, except in the case of fraud. If the Directors refuse to register a transfer they shall notify the transferee of the refusal within two months of the date on which the transfer was lodged with the Company in the case of a certificated share or within two months of the date on which an instruction in respect of an uncertificated share to be held in certificated form was duly received by the Company through the Uncertificated System.

Pre-emption rights and allotment

Save as otherwise provided in the Articles, Directors may allot all unissued shares (with or without conferring a right of renunciation), grant options over or otherwise deal with shares to such persons as they determine. Directors shall exercise powers to allot Relevant Securities in accordance with Article 5 and with authority under an Ordinary Resolution. Where Directors allot Relevant Securities pursuant to authority that has since expired, provided such allotment is made under an offer or agreement made before expiration of such authority, the allotment stands notwithstanding the expiration of authority. No breach of Article 5 shall affect the validity of any allotment of any Relevant Security.

Unless the Company shall by Special Resolution otherwise direct, unissued shares in the capital of the Company shall only be allotted for cash in accordance with the provisions of Article 5.

All shares to be allotted (the "**Offer Shares**") shall first be offered to the members of the Company who the Directors determine can be offered such shares without the Company incurring securities offering compliance costs which, in the opinion of the Directors, would be burdensome given the number of members in the relevant jurisdiction in relation to which such compliance costs would be incurred (the "**Relevant Members**") The offer to Relevant Members (the "**Offer**") shall be made in proportion to the existing shareholdings of Relevant Members.

The Offer from the Directors must be made by written notice ("**Offer Notice**") from the Directors and specify the number and price of the Offer Shares, inviting each Relevant Member to state in writing within a period (being not less than 14 days), whether they are willing to accept any Offer Shares and, if so, the maximum number they are willing to take. On expiration of the Offer Notice, the Directors shall allocate the Offer Shares up to the maximum each Relevant Member had requested. No relevant member shall be obliged to take more than the maximum number of shares notified by him. The Directors have discretion to allot, grant options over, or otherwise deal with shares remaining unallocated after the expiration of the Offer Period in such manner as they think fit, save that those shares shall not be disposed on terms which are more favourable than terms offered to Relevant Members.

The provisions on pre-emption rights shall not apply to allotment of shares for consideration other than cash.

Dividends

Subject to the provisions of the Articles, the Company may by Ordinary Resolution declare that dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. No dividend shall exceed an amount recommended by the Board and shall only be paid if the Board are satisfied the Company will satisfy the Solvency Test after the payment of the dividend.

The Board may declare and pay interim dividends provided that the Company will satisfy the Solvency test. If at any time the share capital of the Company is divided into different classes, the board may pay interim dividends on shares which rank after shares conferring preferential rights to dividends as well as on shares conferring preferential dividends unless at the time of payment any preferential dividend is in arrears. The Board shall incur no liability to shareholders for loss they may suffer on dividends declared or paid on shares ranking after those with preferential rights provided the Board has acted in good faith.

Except as otherwise provided by rights attached to all shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. Subject to this, all dividends shall pay *pro rata* according to the amounts paid up on the shares during any period in respect of which the dividend is paid. If any share is issued on terms providing that it shall rank for dividend from a particular date or as being entitled to dividends declared after a particular date it shall rank or be entitled to dividends accordingly.

All dividends and interest shall be paid to those members on the Register at the date the dividend shall be declared or at such other date as the Company by Ordinary Resolution or the Board may determine notwithstanding transfer of shares.

The Board may deduct from any dividend or other money payable to any member on or in respect of a share all such sums as may be due to from him to the Company on account of calls or otherwise in relation to the shares of the Company.

Subject to the Act, the Company may on the recommendation of the Board, by Ordinary Resolution direct payment of any dividend declared be satisfied wholly or partly by the distribution of assets. Where any difficulty arises with such distribution, the Board may (i) issue fractional certificates or authorise any person to sell and transfer any fractions or disregard fractions altogether; (ii) fix the value for distribution of such assets and determine that cash payments may be made to any members on the footing of the value so fixed, in order to adjust the rights of members; and (iii) vest any such assets in trustees on trust for the persons entitled to the dividend.

The Board may with the prior authority of an Ordinary resolution of the Company, offer to holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid, in whole or in part instead of cash in respect of the whole or some part of any dividend specified by the Ordinary Resolution. The ordinary resolution may specify a particular dividend, or dividends or may specify all or any dividends within a particular period but such period may not end later than the beginning of the fifth annual general meeting following the date of the meeting at which such resolution is passed.

Distribution of assets on liquidation

The Board shall have the power to present a winding up petition to the court in respect of the Company. If the Company is wound up, surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital paid up on the shares at the commencement of the winding up petition. If such surplus assets are insufficient to repay the whole of the paid-up capital they are to be distributed to reflect the losses borne by the members in proportion to the their respective paid up capital. Article 160.2 is subject to the rights attached to and shares which may be issued on special terms or conditions.

If the Company is wound up, the liquidator may, with the sanction of a Special Resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may value the assets and determine any division between members. The division should be resolved in accordance with the rights of such members, if resolved otherwise, the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 222 of the Companies Act 1931 (as applied by s.182 of the Act). The liquidator may vest asset

in trustees on trust for the benefit of members. No member shall be compelled to accept any assets on which there is a liability.

A special resolution sanctioning a transfer or sale to another company passed pursuant to section 222 of the Companies Act 1931 (as applied by s.182 of the Act) may authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

Powers of the Directors

Borrowing powers

Borrowings by the Company owing to any persons outside the Group shall not at any time, without the previous sanction of an Ordinary Resolution of the Company exceed two times the aggregate of (i) the amount paid upon the issue share capital of the Company and (ii) the total capital and revenue reserves (including any share premium account and capital redemption reserves shown).

Proceedings of the Directors

Subject to the provisions of the Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit.

One Director may summon a Board meeting at any time on reasonable notice. A Director may waive the requirement for notice. It shall not be necessary to notify a Board meeting to a Director absent from the British Isles unless he has requested to receive such notices.

The quorum necessary for the transaction of business may be determined by the Board and until otherwise determined shall be 2 persons, each being a Director or an alternate Director. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions for the time being vested in or exercisable by the Board. Any Director who ceases to be a Director at a meeting of the Directors may continue to be present and to act as a Director and be counted in the quorum until the termination of the meeting of the Directors if no Director objects and if otherwise a quorum of Directors would not be present.

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the Chairman of that meeting shall not have a second or casting vote.

A resolution in writing executed by all the Directors for the time being entitled to receive notice of a Board meeting and not being less than a quorum shall be as valid and effective for all purposes as a resolution duly passed at a meeting of the Board.

Powers of the Board

The management of the business of the Company shall be from the Isle of Man or such other place the Board may determine. Subject to the Act, the memorandum of association, the Articles and any Special Resolution, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company. No alteration to the memorandum of association or the Company Articles or direction given by the Company shall invalidate any act prior to such alteration or direction which would have been valid had no such alteration or direction been made. Provisions as to any specific power of the Board contained elsewhere in the Articles shall not be deemed to limit the general powers given by this Article.

If the number of Directors is less than the minimum for the time being prescribed by the Articles the remaining Director or Directors shall act only for the purposes of appointing additional Director(s) to make up the minimum or of convening a general meeting of the Company for making such appointment. If there are no Director(s) able or willing to act, any 2 members may summon a general meeting for the purposes of appointing Directors. Any additional Director so appointed shall hold office until the dissolution of the annual general meeting of the Company next following such appointment unless he is re-elected during such meeting.

The Board may from time to time (i) delegate or entrust to and confer on any Director holding executive office such of its power and authority for such time and on such conditions as it thinks fit and (ii) revoke, alter or vary any of such powers.

The Board shall appoint one or more of its body as Chairman or Deputy Chairman of the Board and shall determine the period they are to hold office and may remove them from office at any time. If no such Chairman or Deputy Chairman is elected or if neither the Chairman nor Deputy Chairman is present, the Directors present shall choose one of their number to be Chairman. In the event of 2 or more joint Chairmen or two or more Deputy Chairman present in the absence of the Chairman, the Directors present shall decide which is to act as Chairman. Any Chairman or Deputy Chairman may also hold executed office under the Company.

The Board may appoint a Secretary or joint secretaries and shall have power to appoint one or more persons to be assistant or deputy secretary on such terms as it thinks fit. The Board may remove an appointed Secretary but without prejudice to claims for damages or breach of contract between him and the Company.

Directors

Number and appointment of Directors

Unless and until otherwise determined by the Company by Ordinary Resolution the number of Directors (other than any alternate Directors) shall be not less than 2 or more than 10.

Subject to the Articles, the Company may by Ordinary Resolution appoint a person who is willing to act to be a Director, either to fill a vacancy, or as an addition to the existing Board, and may also determine the rotation in which any additional Directors are to retire. The total number of Directors shall not exceed any maximum number fixed in accordance with the Articles.

The Board shall have the power at any time to appoint any person who is willing to act as a Director. Any Director so appointed shall hold office only until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting. If not re-appointed at such annual general meeting, he shall vacate office at the conclusion thereof.

No person other than a Director retiring at the meeting (whether by rotation or otherwise) shall be appointed or re-appointed as a Director at any general meeting unless: (i) he is recommended by the Board; or (ii) not less than 7 nor more 35 clear days before the date appointed for the meeting notice duly executed by a member (other than the person to be proposed) qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment or re-appointment stating the particulars which would be required to be included in the Company's register of directors together with notice executed by that person of his willingness to be appointed or re- appointed is lodged at the Office.

A Director shall not be required to hold any shares.

A resolution for the appointment of 2 or more persons as Directors by a single resolution requires first an Ordinary Resolution that this shall be so proposed to be agreed to by the meeting without any vote being given against it. A resolution for approving a person's appointment or for nominating a person for appointment shall be treated as a resolution for his appointment.

If the Company, at the meeting at which a Director retires by rotation, does not fill the vacancy created by his retirement, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost or if the retiring Director has given notice in writing to the Company that he is unwilling to be re-elected or where the default in filling the vacancy is due to the moving of a resolution in contravention of Article 85 (Resolution for Appointment) or where such Director has attained any retirement age applicable to him as Director.

Retirement of Directors

No person shall be incapable of appointment or re-appointment as a Director by reason of reaching the age of 70 or any other age, nor is any special notice required in connection with appointment, re-appointment or approval of such a person.

At every annual general meeting, one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of 3, the number nearest to but not exceeding one third shall retire from office by rotation provided that if there is only one Director who is subject to retirement by rotation, he shall retire.

The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re- election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last appointment or re-appointment. Those Directors who were the last Directors to become Directors or who were last reappointed as Directors on the same day shall retire (unless they otherwise agree between themselves to determine who resigns by lot). A Director who retires (whether by rotation or otherwise) shall be eligible for re-election. The Directors to retire on each occasion shall be determined by the composition of the Directors on the date of the notice convening the annual general meeting and no Director shall be required to retire or be relieved from retiring or be retired for reason of any change in the number or identity of the Directors after the date of the notice but before the close of the meeting.

The retirement of any Director at a general meeting shall not have effect until the conclusion of the meeting except where a resolution is passed to elect another person in place of the retiring Director or a resolution for his re-election is put to the meeting and lost, in which case retirement shall take effect at the time of election of his replacement or the time of the losing of the resolution. A re-elected retiring Director is deemed to have been re-elected in office without a break.

Removal of a Director by resolution of the Company

The Company may by Ordinary Resolution or by written resolution consented to by members holding 75 per cent. of the voting rights, remove any Director before the expiration of his period of office and may (subject to the Articles) by Ordinary Resolution appoint another person who is willing to act to be a Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire by rotation, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re- appointed a Director. In default of such appointment the vacancy arising upon the removal of a Director from office may be filled by a casual vacancy.

Vacation of office

No Director shall vacate his office at any time by reason of the fact he has attained the age of 70 or any other age.

The office of a Director shall be vacated if:

(a) he resigns by notice in writing delivered to the Secretary at the Office or tendered at a Board meeting in which event he shall vacate that office on the service of that notice on the Company or at such later time as is specified in the notice or he offers in writing to resign from his office and the Directors resolve to accept such offer; or

(b) he ceases to be a Director by virtue of any provision of the Act, is removed from office pursuant to the Articles or becomes prohibited by law from being a Director; or

(c) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally; or

(d) an order is made by any court of competent jurisdiction (whether in the Isle of Man, the United Kingdom or elsewhere) on the ground (howsoever formulated) of mental disorder for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his property or affairs or he is admitted to hospital in pursuance of an application for admission for treatment under any statute for the time being in force in the Isle of Man or the United Kingdom relating to mental disorder or, in any other territory, in pursuance of an application for admission under analogous legislation or regulations and the Board resolves that his office be vacated; or

(e) he shall be absent, without the permission of the Board from Board meetings for 6 consecutive months (whether or not an alternate director appointed by him attends) and the Board resolves that his office be vacated; or

(f) he is requested to resign by notice in writing addressed to him at his address as shown in the register of Directors and signed by all the other Directors (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company); or

(g) he is convicted of an indictable offence and the Directors shall resolve that it is undesirable in the interests of the Company that he remains a Director of the Company; or

(h) the conduct of that Director (whether or not concerning the affairs of the Company) is the subject of either (i) an application to the Isle of Man High Court pursuant to the Company Officers (Disqualification) Act 2009 or (ii) an investigation by the police of any jurisdiction and the Board shall resolve that it is undesirable that he remains a Director; or

(i) he has been disqualified from acting as a director.

A resolution of the Board declaring a Director to have vacated office under the terms of Article 94 (Vacation of Office by Director) shall be conclusive as to the fact and grounds of vacation stated in the resolution.

Alternate directors

Each Director may appoint any other Director or any person approved for that purpose by the Board to be his alternate and may remove from office an alternate director so appointed by him. Appointment of an alternate Director shall be effective when his consent to act has been received at the Office. An alternate Director need not hold a share qualification and shall not be counted in reckoning any maximum number of Directors allowed by the Articles.

An alternate Director shall cease to be an alternate Director if his appointor revokes his appointment or his appointor ceases for any reason to be a Director; or if any even happens in relation to him which, if he were a Director otherwise appointed, would cause him to vacate office.

Directors remuneration and expenses

The Directors, other than alternate Directors, shall be entitled to received fees for their services as directors such sum as the Board may determine (not exceeding £500,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Fees payable pursuant to Article 101 shall be distinct from salary, remuneration or other amounts payable to a Director pursuant to any other provisions of the Articles.

Each Director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

If by arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office (including, without limitation, acting as chairman of any audit committee of the Company), he may be paid such reasonable additional remuneration (whether by way of a lump sum or by way of salary, commission, participation in profits or otherwise) as the Board may from time to time determine.

The salary or remuneration of any Director appointed to hold any employment or executive office in accordance with the provisions of the Articles may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board and may be in addition to or in lieu of any fee payable to him for his services as Director pursuant to the Articles.

Pensions and other benefits

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities to any person who is or has at any time been a Director of the Company, or in the employment or service of the

Company or of any holding company, subsidiary, predecessor in business of the Company or of any such holding company or subsidiary and for any member of his family or dependents.

The Board may procure the establishment and maintenance of a pension or superannuation fund, scheme or arrangement and pay insurance premiums. Any Director or former Director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under Article 105 and shall not be obliged to account for it to the Company.

Director Conflicts

Permitted interests of Directors

Subject to section 104 of the Act and provided that Article 125 (Disclosure of interests to the Board) is complied with, a Director:

(a) may be a party to or be interested in any proposal with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchasers or otherwise;

(b) may hold any other office or place of profit under the Company (except that of Auditor) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company;

(c) may be a member of or a director or other officer, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any body corporate promoted by or promoting the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

(d) shall not, by reason of his office, be liable to account to the Company for any dividend, profit, remuneration, superannuation payment or other benefit which he derives from any such office, employment, contract, arrangement, transaction or proposal or from any interest in any such body corporate;

and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

A Director who to his knowledge is in any way (directly or indirectly) interested in any contract, arrangement, transaction or proposal with the Company shall declare the nature of his interests at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered.

A general notice given to the Board by a Director that he is to be regarded as having an interest (of the nature and extent specified in the notice) in any contract, transaction, arrangement or proposal in which a specified firm, company, person or class of persons is interested shall be deemed to be a sufficient disclosure. No such notice shall be effective unless either it is given at a meeting of the Directors or the Director takes reasonable steps to secure that it is brought up and read at the next meeting of the Directors after it is given; and an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

Restrictions on voting by Directors

Save as provided in Article 126, a Director shall not vote on or be counted in the quorum in relation to any resolution of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company to his knowledge is or is to be a party and in which he or any person Connected with him has (directly or indirectly) an interest which is material or a duty which conflicts with the interests of the Company unless his duty or interest arises only because the resolution relates to one of the following matters in which case he shall be entitled to vote and be counted in the quorum:

(a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole

or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(c) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;

(d) any contract concerning any other company in which he is interested, directly or indirectly and whether as an officer, member, creditor or otherwise, unless the company is one in which he has a relevant interest and for this purpose;

(i) a company shall be deemed to be one in which a Director has a relevant interest if and so long as he (together with persons Connected with him) to his knowledge holds an interest in shares representing 1 per cent. or more of any class of the equity share capital of that company or of the voting rights available to members of that company or if he can cause 1 per cent. or more of those voting rights to be exercised at his direction; and

(ii) where a company in which a Director is deemed for the purposes of this Article to have a relevant interest is materially interested in that contract;

(e) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or

(f) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

An interest of a person who is Connected with a Director shall be treated as an interest of the Director. A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office with the Company.

Indemnification of Directors

Subject to the Act, every Director (other than an Auditor) shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in exercise of his duties or powers including any liability incurred defending any proceedings which relate to anything done or omitted or alleged to have been done or omitted by him as an officer, auditor or employee of the Company and in which judgement is given in his favour or in which he is acquitted or which are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which relief is granted to him from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

Shareholder Meetings

Annual general meetings

Subject to the provisions of the Act, at least one annual general meeting shall be held in each calendar year and not more than 15 months shall pass from one annual general meeting to the next.

The board may convene a general meeting whenever it thinks fit. Upon the written request of a member or members entitled to exercise 10 per cent or more of the Voting Rights in respect of the matter for which the meeting is requested, the Board shall convene a meeting of members or class of members.

The Chairman of the Board shall preside as Chairman at every general meeting of the Company. If there is no such Chairman or if at any meeting he shall not be present within 15 minutes after the time appointed for holding the meeting or shall be unwilling to act as Chairman, the deputy Chairman (if any) of the Board shall if present and willing to act preside as Chairman at such meeting. If no Chairman or deputy Chairman shall be so present and willing to act, the Directors present shall choose one of their number to act, or if there be only one Director present, he shall be Chairman if willing to act. If no Director will to act as Chairman of the meeting or, if no Director is present within 15 minutes of the time appointed for holding the meeting, the members present and entitled to vote shall choose one of their number to be Chairman of the meeting.

Calling of general meetings

Subject to provisions of the Act, annual general meetings shall be held at such time and place as the Board may determine. All general meetings other than annual general meetings, shall be called extraordinary general meetings.

Notice of general meetings

An annual general meeting shall be convened by not less than 21 clear days' notice in writing. Other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing.

Notwithstanding that a meeting is called by shorter notice than that specified in Article 55, a general meeting shall be deemed to have been duly convened if a member or members holding at least 90 percent of the voting rights in relation thereto have waived notice of the meeting.

Quorum

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a Chairman which shall not be treated as part of the business of the meeting. 2 persons entitled to attend and to vote on the business to be transacted, shall be a quorum.

If for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to not less than 14 nor more than 28 days thereafter. If at such adjourned meeting a quorum is not present one member present in person or by proxy or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or, if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved. The Company shall give at least 7 clear days' notice of any meeting adjourned through lack of quorum (where such meeting is adjourned to a day being not less than 14 nor more than 28 days thereafter).

4.1 Public takeover bids

(a) *Takeover Code*

The Company is a public limited company subject to the Takeover Code, which will, amongst other things, regulate any takeover offer for the Company and any other transaction which has its objective or potential effect (directly or indirectly) obtaining or consolidating control of the Company. For this purpose, control is defined as an interest or interests in shares carrying more than 30 per cent. of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control.

(b) Mandatory bids

Under Rule 9 of the Takeover Code, if an acquisition of an interest in shares in the Company were to increase the aggregate interests of the acquirer and persons acting in concert with it to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, the persons acting in concert with it would be required (except with the consent of the Takeover Panel) to make an offer for the outstanding shares in the Company. Any such offer must, *inter alia,* be in cash (or accompanied by a cash alternative) at not less than the highest price paid by the acquirer or any person acting in concert with it for an interest in shares in the Company during the previous 12 months.

A similar obligation to make a mandatory cash offer would also arise on an acquisition of an interest in shares in the Company by a person who (together with persons acting in concert with it) is interested in shares which in the aggregate carry between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of the acquisition were to increase the percentage of shares carrying voting rights in the Company in which that person is interested.

The Ordinary Shares will also be subject to the compulsory acquisition procedures set out in section 160 of the Act, which provides that where there is a scheme or contract (within the meaning of section 160 of the Act) involving the transfer of shares in the Company to another

company (the "**transferee**") and the transferee receives valid acceptances in respect of, or acquires, more than nine tenths in value of the shares to which the scheme or contract relates, that transferee is entitled to compulsorily acquire the shares which have not been acquired or contracted to be acquired.

Section 161 of the Act provides that a shareholder dissenting from a merger, consolidation or arrangement (within the meaning of section 161 of the Act) shall be entitled to payment of fair value of their shares. Under this procedure the dissenting shareholder is required to give written notice of their objection to the relevant proposed action before the vote authorising such proposed action is taken. If a merger, consolidation or arrangement is approved, there follows a set procedure of notice, confirmation and offers relating to the purchase of the dissenting shareholders shares by the Company (as set out in section 161 of the Act). Fair value for such shares, if not agreed between the Company and the dissenting shareholder in accordance with the procedure set out in section 161 of the Act, is determined by appraisers appointed in accordance with section 161 (8) of the Act.

There has been no scheme or contract (within the meaning of section 160 of the Act), or offer pursuant to Rule 9 of the Takeover Code, for any Ordinary Shares during the Company's current financial year.

5 Summary of share capital

5.1 A summary of the Company's share capital as at 30 March 2021 (being the latest practicable date before publication of this document) (pre-Capital Consolidation) is set out in the table below:

	No.	*Undiluted % of total*[1]	*Fully diluted % of total*[2]
Existing Ordinary Shares	1,718,416,985	100%	86%
Options (vested)	142,000,000	–	7%
Options (unvested)	25,000,000	–	1%
Warrants	119,747,559	–	6%
Total	2,005,164,544	100%	100%

(1) Calculated as a percentage of total Existing Ordinary Shares in issue.
(2) Calculated as a percentage of the total Existing Ordinary Shares plus existing Options and Warrants as at the date of this document.

5.2 A summary of the Company's share capital immediately following Admission is set out in the table below:

	No.	*Undiluted % of total*	*Fully diluted % of total*
New Ordinary Shares[1,4]	1,027,614,008	100%	86%
Options (vested)	14,200,000	–	1%
Options (unvested)[2]	86,210,000	–	7%
Warrants[3]	61,378,915	–	5%
Fully diluted share capital	1,189,402,877	100%	100%

(1) Includes the 15,672,310 Accrued Director Fee Shares to be issued on Admission.
(2) Includes 83,710,000 Options over New Ordinary Shares to be issued on Admission pursuant to the Share Option Scheme set out in paragraph 6.2 of this Part VII below.
(3) Includes 3,851,159 Accrued Fee Warrants to be issued to John Battrick on Admission.
(4) The number of Existing New Ordinary Shares, and consequently the Enlarged Share Capital, may be reduced due to the fractional entitlements resulting from the Capital Consolidation. The final number of New Ordinary Shares in issue on Admission will be confirmed on the morning of Admission via an RNS announcement.

5.3 The Company's share capital as at 31 December 2020 comprised 1,718,416,985 Ordinary Shares.

5.4 Since 31 December 2020, there have been no changes in share capital.

5.5 The Ordinary Shares are in registered form and are capable of being held in certificated and uncertificated form.

5.6 There are no shares not representing share capital and there are no shares in the Company held by or on behalf of the Company or by any of the subsidiary undertakings.

5.7 There is no class of shares in issue other than Ordinary Shares.

5.8 No Ordinary Shares are issued other than as fully paid.

5.9 Save as set out in this paragraph 5, there are no convertible securities, exchangeable securities or securities with warrants currently in existence in relation to the Company.

5.10 Save as otherwise stated in this document (including, without limitation, as set out in paragraph 6 of this Part VII and paragraph 13.4 of this Part VII), no member of the Group has in place in respect of its share capital any option, nor has it agreed conditionally or unconditionally to put any of its share capital under option.

6 Share Options and Warrants

6.1 As at the date of this document the Company has the following outstanding Options and Warrants:

Grant Date	*Expiry Date*	*Vesting Date*	*Pre-Capital Consolidation Units*	*Post-Capital Consolidation Units*	*Post-Capital Consolidation Exercise price (£)*
Options					
02/10/2018	01/10/2023	02/10/2018	4,500,000	450,000	0.200
01/02/2020	01/02/2025	01/02/2021	137,500,000	13,750,000	0.030
08/07/2020	08/07/2025	08/07/2021	25,000,000	2,500,000	0.030
			167,000,000	16,700,000	
Warrants					
13/05/2016	13/05/2021	13/05/2016	840,000	84,000	1.000
31/01/2017	31/01/2022	31/01/2017	493,333	49,333	1.000
22/05/2017	21/05/2022	22/05/2017	1,000,000	100,000	0.500
31/08/2017	30/08/2022	31/08/2017	3,230,769	323,075	0.325
06/12/2017	05/12/2022	06/12/2017	12,772,005	1,277,139	0.250
29/04/2018	28/04/2021	29/04/2018	5,294,118	529,411	0.085
03/08/2018	02/08/2021	03/08/2018	6,000,000	600,000	5.000
21/09/2018	20/09/2021	21/09/2018	39,999,999	3,999,995	0.200
15/03/2019	14/03/2022	15/03/2019	16,666,666	1,666,665	0.045
21/06/2019	20/06/2022	21/06/2019	28,893,190	2,889,317	0.016
02/07/2019	01/07/2022	02/07/2019	3,178,235	317,823	0.016
03/07/2019	02/07/2022	03/07/2019	833,789	83,333	0.016
10/12/2020	09/12/2023	10/12/2020	545,455	54,545	0.022
			119,747,559	11,974,636	
Total			286,747,559	28,674,636	

6.2 Share Option Scheme

Share Option Agreements in agreed form have been provided to Stephen West, Leslie Peterkin, John Battrick, Mark Rollins and Ross Warner. Larry Bottomley and Stephen Whyte will be provided with the same Share Option Agreement terms. The key terms are as follows:

Grant

(a) The number of Options over New Ordinary Shares to be granted to each recipient is as set out below:

Names	*New Options (post Capital Consolidation) to be granted on Admission**
Mark Rollins	19,840,000
Leslie Peterkin	24,450,000
Stephen West	19,840,000
Ross Warner	3,930,000
Larry Bottomley	1,670,000
Stephen Whyte	1,670,000
John Battrick	12,310,000

**Assuming gross proceeds of US$30 million in respect of the Placing.*

(b) The exercise price is the Placing Price, the price payable by the option holder to acquire the shares under the Share Option Agreement.

(c) The grant date is the date of the Share Option Agreement which will be the Admission date.

(d) The number of shares to be offered is not yet known.

(e) The Share Option Agreement will not entitle the option holder (the "**Option Holder**") to acquire any percentage of the share capital of the Company, other than the percentage that shares actually acquired under the Option represent at any time. The grant and existence of the Option shall not restrict the Company's freedom to issue any shares, rights to subscribe for shares, or any other securities, at any time after the grant date and on such terms as the Company may decide.

(f) The grant of the Option does not form part of the individual's entitlement to remuneration or benefits pursuant to their roles with the Company.

(g) The individual's rights and obligations under the terms of their appointment with the Company or any other Group member shall not be affected by the grant of the Option.

(h) The Option Holder shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer due to being unable to exercise the Option in consequence of the loss or termination of office or employment with the Company or any Group member.

Exercise

(i) Unless an earlier event occurs to cause it to become exercisable, the Option Holder may first exercise the Option (in whole or in part, on one or more occasions) in respect of the first 50 per cent. of shares subject to it, from 1 January 2022; and in respect of the next 50 per cent. of shares subject to it, from 1 January 2023.

(j) No exercise is permitted at a time when exercise is prohibited by or would be a breach of the share dealing code, any law or regulation with the force of law.

(k) The Option may only be exercised by the individual in respect of shares the subject of the Option if the individual was employed by the Company on the date on which the Option vested in respect of those shares.

(l) The Option Holder may within 90 days following such termination pursuant to the Option Holder's service agreement or NED appointment letter exercise the Option in respect of shares vested prior to the cessation of the individual's employment by the Company provided that the individual's employment was not terminated for cause. The Option shall terminate and the individual may not exercise it in respect of vested shares or otherwise if the employment is terminated for cause. The Board of the Company may, in its absolute discretion, permit the individual to exercise the Option in respect of unvested shares after the cessation of employment.

(m) If the Option Holder dies, their personal representatives may exercise the Option to the extent capable of exercise as at the time of the individual's death during a period ending no later than 36 months after death.

(n) Exercise is by giving a written exercise notice to the Company setting out the number of shares over which the Option Holder wishes to exercise the Option. If that number exceeds the number over which the Option may be validly exercised at the time, the Company shall treat the Option Holder as having exercised the Option only in respect of that lesser number; and using a form that the Board will approve.

(o) When giving an exercise notice the Option Holder must also provide payment of an amount equal to the exercise price multiplied by the number of shares specified in the notice (or evidence that the Option Holder has made arrangements acceptable to the Board to pay that amount).

Option shares

(p) Shares allotted and issued in satisfaction of the exercise of the Option shall rank equally in all respects with the other shares of the same class in issue at the date of allotment, except for any restriction or any rights determined by reference to a date before the date of allotment.

(q) Shares transferred in satisfaction of the exercise of the Option shall be transferred free of any lien, charge or other security interest, and with all rights attaching to them, other than any restriction or rights determined by reference to a date before the date of transfer.

(r) If the shares are listed or traded on any stock exchange, the Company shall apply to the appropriate body for any newly issued shares allotted on exercise of an Option to be listed or admitted to trading on that exchange.

(s) The Option Holder indemnifies the Company or any other Group member against any liability of any person to account for any Option tax liability.

(t) The Company shall not be obliged to allot and issue any shares pursuant to the Option unless and until the Option Holder has paid to the Company or any other Group member such sum as is, in the opinion of the Company, sufficient to indemnify it in full against any Option tax liability.

(u) The Company shall have the right not to allot and issue or procure the transfer to the Option Holder or to the Option Holder's order the aggregate number of shares to which the Option Holder would otherwise be entitled but to retain out of such aggregate number of shares such number of shares as, in the opinion of the Company, will enable the Company to sell as agent for the Option Holder (at the best price which can reasonably be expected to be obtained at the time of sale) and to pay over to the Company or any other Group member sufficient monies out of the net proceeds of sale, after deduction of all fees, commissions and expenses incurred in relation to such sale, to satisfy the Option Holder's liabilities.

Change of Control

(v) If the Board considers that a change of control is likely to occur, the Options shall be capable of exercise in full at any time within a reasonable period to be specified by the Board for that purpose and ending immediately before the offeror obtains the requisite number of shares in the Company occasioning a change of control.

(w) If a change of control occurs, the Option Holder may exercise their Option in full at any time within 90 days after the time when the Offeror has obtained the requisite number of Shares in the Company occasioning a change of control.

(x) The Option Holder may exercise their Options in full at any time during any period when any person is bound or entitled to acquire shares under sections 979 to 982 or 983 to 985 of the Act.

(y) The Option Holder may exercise their Options in full within six weeks after a change of control occurs as a result of the court sanctioning a compromise or arrangement under section 899 of the Act.

(z) The Option Holder may exercise their Option in full if a person acquires the requisite number of shares in the Company occasioning a change of control by subscribing for new shares in the Company.

Miscellaneous provisions

(aa) If the shareholders of the Company receive notice of a resolution for the voluntary winding up of the Company, the Option Holder may exercise their Option in full at any time before that resolution is passed, conditional upon the passing of such resolution, and if the Option Holder does not so exercise it, it shall lapse when the winding up begins.

(bb) The Board shall notify the Option Holder of any event that is relevant to the Options within a reasonable period after the Board becomes aware of it.

(cc) The Option Holder may not transfer or assign; or have any charge or other security interest created over the Option (or any right arising under it).

(dd) After the Option lapses it cannot be exercised, become exercisable, be released for consideration or be of use or benefit to the Option Holder in any other way (except in respect of the Option Holder's rights before the time of lapse). The Option Holder's Options shall lapse on the earliest of the following: in respect of each tranche, the fifth anniversary of the date of grant and the third anniversary of the Option Holder's death.

If there is any variation of the share capital of the Company (whether that variation is a capitalisation issue (other than a scrip dividend), rights issue, consolidation, subdivision or reduction of capital or otherwise) that affects (or may affect) the value of the Options, the Board shall adjust the number and description of shares subject to the Option or the exercise price of the Option in a manner that the Board, in its reasonable opinion, considers to be fair and appropriate

7 Corporate governance

7.1 Board

(a) The Company is incorporated in the Isle of Man and is not subject to any corporate governance regime in its place of incorporation. However, the Company, taking into account its size and the complexity of its operations, seeks to comply with the relevant requirements of the QCA Corporate Governance Code, published in April 2018 by the Quoted Companies Alliance (the "**QCA Code**").

(b) The Board of Directors aims to hold monthly Board meetings. All the necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. At Board meetings, there is a formal schedule of matters reserved for consideration by the Board and other matters are delegated to Board committees. The Board is responsible for leading and controlling the Company and in particular for formulating, reviewing and approving the Company's strategy, budget, major items of capital expenditure, acquisitions and senior personnel appointments. The Company has established subcommittees of the Board, comprising an Audit Committee, a Remuneration Committee, a Nomination Committee and an AIM Rules and UK MAR Compliance Committee.

7.2 Audit Committee

(a) The Audit Committee aims to meet at least three times each year. The Audit Committee is responsible for assisting the Board's oversight of the integrity of the financial statements and other financial reporting, the independence and performance of Lubbock Fine, the regulation and risk profile of the Group and the review and approval of any related party transactions. The Audit Committee may hold private sessions with management and Lubbock Fine without management present. Further, the Audit Committee is responsible for making recommendations to the Board on the appointment of Lubbock Fine and the audit fee and reviews reports from management and Lubbock Fine on the financial accounts and internal control systems used throughout the Company and the Group. The Audit Committee also reviews arrangements by which the staff of the Company and the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters

and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action. Where necessary, the Audit Committee will obtain specialist external advice from appropriate advisers.

(b) On Admission, the Audit Committee will be chaired by Stephen Whyte, with the other participating member of the committee being Ross Warner.

7.3 Remuneration Committee

(a) The Remuneration Committee meets up to twice a year. The Remuneration Committee is responsible for considering all material elements of remuneration policy, the remuneration and incentivisation of Executive Directors and senior management (as appropriate) and to make recommendations to the Board on the framework for executive remuneration and its cost. The role of the Remuneration Committee is to keep under review the Company's remuneration policies to ensure that the Company attracts, retains and motivates the most qualified talent who will contribute to the long-term success of the Company. The Remuneration Committee also reviews the performance of the CEO and CFO and sets the scale and structure of their remuneration, including the implementation of any bonus arrangements, with due regard to the interests of shareholders. The Remuneration Committee is also responsible for granting options under the Company's share option plan and, in particular, the price per share and the application of the performance standards which may apply to any grant, ensuring in determining such remuneration packages and arrangements, due regard is given to any relevant legal requirements, the provisions and recommendations in the AIM Rules and the QCA Code.

(b) On Admission, the Remuneration Committee will be chaired by Larry Bottomley, with the other participating member of the committee being Mark Rollins.

7.4 Nomination Committee

(a) The Nomination Committee will meet at least three times a year at appropriate intervals. The Nominations Committee will be responsible for reviewing and making proposals to the Board on the appointment of directors, reviewing succession plans and ensuring that the performance of directors is assessed on an ongoing basis.

(b) On Admission, the Nomination Committee will be chaired by Mark Rollins, with the other participating member of the committee being Stephen Whyte.

7.5 AIM Rules and UK MAR Compliance Committee

(a) The AIM Rules and UK MAR Compliance Committee will monitor the Company's compliance with the AIM Rules and UK MAR and seek to ensure that the Company's Nominated Adviser is maintaining contact with the Company on a regular basis and vice versa. The committee will ensure that procedures, resources and controls are in place with a view to ensuring the Company's compliance with the AIM Rules and UK MAR. The committee will also ensure that each meeting of the Board includes a discussion of AIM matters and assesses (with the assistance of the Company's Nominated Adviser and other advisers, as appropriate) whether the Directors are aware of their AIM responsibilities from time to time and, if not, will ensure that they are appropriately updated on their AIM responsibilities and obligations.

(b) On Admission, the AIM Rules and UK MAR Compliance Committee will be chaired by Ross Warner, with the other participating member of the committee being Larry Bottomley.

7.6 Other than as set out above, there are no material changes or impacts to corporate governance, board or committees (in so far as this has been already decided by the board and/or shareholders meeting).

7.7 Share dealing code

The Directors will comply with Rule 21 of the AIM Rules relating to dealings in the Ordinary Shares and the Company has adopted a code on dealing in securities to ensure compliance by its Directors and applicable employees.

8 Corporate structure

8.1 The Company is the parent entity of the Group. A summary of the Group's subsidiary companies and other entities it holds shares in is set out in the table below:

Name of company	*Proportion of voting shares*	*Nature of business*	*Country of incorporation*
Advance Energy TL Limited	100%	Oil and gas exploration and production	England and Wales
Resolute Oil & Gas (UK) Limited	100%	Oil and gas exploration and production	England and Wales
Eagle Gas Limited	25%	Oil and gas exploration and production	England and Wales

9 Directors

Details of the Directors and their functions in the Company are set out on page 9 of this document under the heading "Directors, Secretary and Advisers". Each of the Directors can be contacted at the registered office.

9.1 In addition to their directorships of the Company or members of the Group, the Directors are currently or have within the five years prior to the date of this document been directors or partners of the following companies and partnerships:

Director	*Current directorships and partnerships*	*Previous directorships and partnerships*
Mark Rollins	Advance Energy plc Alpina Limited Noiva International SA Rollins BV Roquefort Investments plc Tenaz Energy plc	N/A
Leslie Peterkin	Advance Energy plc Jaybelle Pty Ltd Petroleum Insights Sarl Resolute Oil & Gas (UK) Limited	N/A
Stephen West	29 Filmer Road Management Limited Advance Energy plc Advance Energy TL Limited Cresthaven Investments Pty Ltd MFW Resources Ltd Roquefort Investments plc Savant Resources plc Zeta Petroleum plc	African Petroleum CI-513 Ltd African Petroleum Corporation Limited African Petroleum Corporation Limited African Petroleum Cote d'Ivoire Ltd African Petroleum Drilling Services Ltd African Petroleum Gambia Ltd African Petroleum Liberia Ltd African Petroleum Limited African Petroleum Senegal Ltd African Petroleum Sierra Leone Ltd APCL Gambia B.V. Apollo Consolidated Ltd Auctus Corporation plc European Hydrocarbons Limited European Hydrocarbons SL Ltd Norsve Resources Ltd Oilion Energy Ltd Orana Corporate LLP Petronor E&P AS PetroNor E&P Ltd PetroNor E&P Services Limited Regal Liberia Limited Roquefort Holdings plc Silk Road Oil & Gas Ltd TomCo Energy plc

Director	*Current directorships and partnerships*	*Previous directorships and partnerships*
Ross Warner	Advance Energy plc Blue Star Helium Limited BNL (USA Helium) Pty Ltd Santa Energy Pty Ltd Northcote Energy Ltd	Black Lantern Investments Pty Limited Attis Oil & Gas Ltd (f.k.a. Northcote Energy Ltd) Zarmadan Gold Ltd Zarmadan Resources Corporation Zarmadan Gold Pte Ltd
Stephen Whyte	Echo Energy plc	Genel Energy Plc Kazmunaygas NC Mckechnie Oil Limited Peturos Oil & Gas Limited Sound Energy plc
Larry Bottomley		Chariot Oil & Gas Finance (Brazil) Limited Chariot Oil & Gas Holdings (Morocco) Limited Chariot Oil & Gas Investments (Brazil) Limited Chariot Oil & Gas Investments (Mauritania) Limited Chariot Oil & Gas Investments (Morocco) Limited Chariot Oil & Gas Investments (Namibia) Limited Chariot Oil & Gas Limited Chariot Oil & Gas Statistics Limited Enigma Oil & Gas Exploration (Pty) Limited Enigma Oil & Gas Fifteen (Pty) Limited Enigma Oil & Gas Fourteen (Pty) Limited Enigma Oil & Gas Nineteen (Pty) Limited

9.2 As at the date of this document, no Director:

(a) has any unspent convictions in relation to indictable offences;

(b) has been declared bankrupt or been subject to any individual voluntary arrangement;

(c) has been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which has entered into a company voluntary arrangement or a composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

(d) has been a partner in any partnership which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(e) has had any asset belonging to him placed in receivership or has been a partner in any partnership which had an asset placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(f) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body); or

(g) has been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

10 Directors' service agreements, letters of appointment and employee arrangements

10.1 The following Service Agreements will be entered into on Admission by the Company. The key uniform terms for Stephen West and Leslie Peterkin are as follows ("**Uniform Terms**"):

(a) 6 months' notice from the Company to terminate;

(b) 6 months' notice from the employee to terminate;

(c) discretionary bonus dependent upon performance criteria determined by the Board;

(d) full sick pay for 65 days, half sick pay for 65 days, in any 12-month period;

(e) the provision of 10 per cent. of annual salary into private pension directly or an equivalent payment by way of additional salary;

(f) a payment to contribute to the cost of the employee's private medical insurance;

(g) change of control provisions which provide:

(i) If there is a change of control of the Company, and within three months following the change of control, the Company terminates the employment (or gives notice to do so pursuant to clause 3 of the Service Agreement other than pursuant to clause 18.2(b) of the Service Agreement), or the executive gives notice to terminate the employment pursuant to clause 3 of the Service Agreement, the Company shall, subject to the executive's compliance in the period prior to and following termination of the employment with his obligations under this agreement, and to the executive entering into a binding settlement in a form acceptable to the Company (acting reasonably) pay an amount equal to one year's base salary (as set out in clause 10.1 of the Service Agreement) to the executive, such payment to be made, subject to appropriate deductions for tax and national insurance contributions, or their equivalents in any relevant jurisdiction, within one month following termination of the employment.

(h) appropriate post termination restrictive covenants for a period of 6 months post termination less any period of garden leave;

(i) obligations to comply with (a) every rule of law; (b) every regulation of the London Stock Exchange or of AIM or any other Recognised Investment Exchange; (c) the QCA Code (as amended from time to time); (d) every other rule or regulation of any competent regulatory authority; (e) any published guidelines regarding corporate governance which the Board considers relevant or appropriate; (f) the share dealing rules; (g) every regulation of the Company for the time being in force in relation to dealings in shares or other securities of the Company or any other member of the Group; and (h) all requirements, recommendations or regulations, as amended from time to time, of the London Stock Exchange, the Financial Conduct Authority, UK MAR and any directly applicable regulation made under that regulation or any regulatory authorities relevant to the Company or any member of the Group and any code of practice, policies or procedures manual issued by the Company (as amended from time to time) relating to dealing in the securities of the Company or any member of the Group including the share dealing rules; and

(j) obligations not to commit or attempt to commit the criminal offence of insider dealing nor contravene articles 14, 15 or 19 of UK MAR.

10.2 Specific terms which differ from those referred to above relate to salary only and are as follows:

(a) Stephen West, annual salary of £198,000, contribution to private medical insurance is £400 per month; and

(b) Leslie Peterkin, annual salary of US$375,000, contribution to private medical insurance is $500 per month.

10.3 The following new NED appointment letters will be issued on Admission:

(a) Mark Rollins: Non-executive chairman appointment letter between Alpina Limited, Mark Rollins and the Company.

(b) Ross Warner: Non-executive director appointment letter.

(c) Larry Bottomley: Non-executive director appointment letter.

(d) Stephen Whyte: Non-executive director appointment letter.

10.4 The key uniform terms for the non-executive directors are as follows:

(a) 4 months' notice from the Company to terminate;

(b) 4 months' notice from the non-executive director to terminate;

(c) obligations to comply with (a) every rule of law; (b) every regulation of the London Stock Exchange or of AIM or any other Recognised Investment Exchange; (c) the QCA Code (as amended from time to time); (d) every other rule or regulation of any competent regulatory authority; (e) any published guidelines regarding corporate governance which the Board considers relevant or appropriate; (f) the share dealing rules; (g) every regulation of the Company for the time being in force in relation to dealings in shares or other securities of the Company or any other member of the Group; and (h) all requirements, recommendations or regulations, as amended from time to time, of the London Stock Exchange, the Financial Conduct Authority, UK MAR and any directly applicable regulation made under that regulation or any regulatory authorities relevant to the Company or any member of the Group and any code of practice, policies or procedures manual issued by the Company (as amended from time to time) relating to dealing in the securities of the Company or any member of the Group including the share dealing rules; and

(d) obligations not to commit or attempt to commit the criminal offence of insider dealing nor to contravene articles 14, 15 or 19 of UK MAR.

10.5 Specific terms which differ from those above are as follows:

(a) Ross Warner, Stephen Whyte and Larry Bottomley are to provide duties 2 days per month and are paid US$60,000 per annum;

(b) Mark Rollins, via Alpina Limited, provides duties 3 days a week and is paid US$192,000 per annum;

(c) Mark Rollins to have 6 months' notice from the Company to terminate; and

(d) Mark Rollins to give 6 months' notice to the Company to terminate.

10.6 The Company has one material employee, John Battrick, whose arrangements from Admission are on the Uniform Terms save that his annual salary is US$125,000, and contribution to private medical insurance is US$500 per month.

10.7 Save as set out in this paragraph (and the existing arrangements that will be replaced on Admission), there are no existing or proposed service agreements, consultancy agreements or letters of appointment between Stephen West, Leslie Peterkin, Ross Warner, Stephen Whyte, Larry Bottomley, John Battrick and the Company.

10.8 There are no arrangements under which any director has agreed to waive future emoluments nor have there been any waivers of such emoluments during the financial year immediately preceding the date of this document.

10.9 The aggregate remuneration paid and benefits in kind granted to the Directors in the current financial year is approximately US$684,000. It is estimated that, under the agreements in force at the date of this document, the aggregate remuneration payable and benefits in kind to be granted to the directors in the financial year ending 30 April 2021 will be approximately US$684,000.

10.10 Save as set out in paragraph 10.1(g), there are no service contracts in existence between any of the Directors and the Company/Group that provide for benefits upon termination.

11 Directors' shareholdings and other interests

11.1 The interests (all of which are beneficial, unless otherwise stated) of the Directors (including, so far as is known to the Directors having made appropriate enquiries, the interests of any persons connected with the Directors within the meaning of section 252 of the UK Companies Act 2006) in the issued share capital of the Company as at the date of this document and as they will be immediately following Admission are as follows:

At the date of this document

Director	*Number of Existing Ordinary Shares*	*Percentage of current issued share capital (%)*
Mark Rollins	139,833,333	8.14
Leslie Peterkin	138,833,333	8.08
Stephen West	8,799,201	0.51
Stephen Whyte	3,912,665	0.23
Ross Warner	2,052,874	0.12
Larry Bottomley	–	–

At Admission

Director	*Accrued Director Fee Shares*	*Placing Shares*	*Total Number of New Ordinary Shares*	*Percentage of Enlarged Share Capital (%) on Admission*
Mark Rollins	5,804,320	9,615,500	29,403,153	2.86
Leslie Peterkin	5,804,320	6,923,500	26,611,153	2.59
Stephen West	4,063,670	–	4,943,590	0.48
Stephen Whyte	–	–	391,266	0.04
Ross Warner	–	–	205,287	0.02
Larry Bottomley	–	–	–	–

11.2 On Admission, the Directors will have the following Options over New Ordinary Shares:

Director	*Existing Options (post Capital Consolidation) as at the date of this document[1]*	*New Options (post Capital Consolidation) be granted on Admission[2][3]*	*Total Options (post Capital Consolidation) on Admission[3]*
Mark Rollins	5,000,000	19,840,000	24,840,000
Leslie Peterkin	5,000,000	24,450,000	29,450,000
Stephen West	2,500,000	19,840,000	22,340,000
Ross Warner	1,250,000	3,930,000	5,180,000
Larry Bottomley	–	1,670,000	1,670,000
Stephen Whyte	–	1,670,000	1,670,000

(1) Exercisable at a price per New Ordinary Share of £0.03.

(2) Exercisable at the Placing Price and vesting in two equal tranches on 1 January 2022 and 1 January 2023, full details of which are set out in paragraph 6 of this Part VII of this document.

(3) Assuming gross proceeds of US$30 million in respect of the Placing.

11.3 Save as set out in paragraphs 11.1 and 11.2 of Part VII, paragraph 6 of Part VII (*Share Options and Warrants*) and Paragraph 10 of Part VII (*Directors' service agreements, letters of appointment and employee arrangements*), paragraph 13.4 of Part VII (*Corsair Share Issue Deed)*, paragraph 12 of Part VII (*Significant Shareholders*) and paragraph 15 of Part I (*Options, Warrants and Accrued Fee*

Issues), no Director has any interest (whether beneficial or non-beneficial) in the share or loan capital of the Company nor (so far as is known to the Directors having made appropriate enquiries) does any person connected with any of the Directors within the meaning of section 252 of the UK Companies Act 2006 have any such interest (whether beneficial or non-beneficial).

11.4 None of the Directors nor (so far as is known to the Directors having made appropriate enquiries) any person connected with any of the Directors within the meaning of section 252 of the UK Companies Act 2006 holds a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares and/or any Placing Shares.

11.5 There are no outstanding loans or guarantees granted or provided by the Company to or for the benefit of any of the Directors.

11.6 No Director has or has had any interest, whether direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company.

11.7 No Director has or has had any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company since its incorporation or which remains in any respect outstanding or unperformed.

11.8 No Director has any conflict of interest (or potential conflict of interest) between any of the duties owed by him to the Company and his private interests or any duties owed by him to third parties

11.9 Details of any restrictions agreed by the Directors with regard to the disposal of their holdings in the Company's securities are set out in paragraph 13.8 of this Part VII.

12 Significant Shareholders

In addition to the interests of the Directors disclosed in paragraph 11 above, the Directors are aware of the following persons who are at the date of this document, or will immediately following Admission be, directly or indirectly interested in 3 per cent. or more of the Company's issued share capital or voting rights:

As at the date of this document

Significant Shareholder	*Number of Existing Ordinary Shares*	*Percentage of current issued share capital (%)*
Mr Sebastian Marr	241,656,250	14.06
John Geoffrey Bolitho	125,137,892	7.28
Crossways Ato Bruschini Rats	117,171,220	6.82
Brintons	111,849,759	6.51
Jarvis Investment Management	97,445,422	5.67
Optiva Securities	80,242,584	4.67
Anthony John Battrick	66,666,666	3.88
Hargreaves Lansdown	66,418,615	3.87

At Admission

Significant Shareholder	*Number of New Ordinary Shares*	*Percentage of Enlarged Share Capital (%)*
Tavira Securities Ltd	53,570,000	5.21%
Sebastian Marr	42,015,625	4.09%
John Story	35,710,000	3.48%
Anavio Capital Partners LLP	35,710,000	3.48%
Toscafund Asset Management LLP	34,620,000	3.37%

12.1 None of the persons interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital or voting rights has voting rights which are different from other Shareholders.

12.2 The Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

12.3 So far as the Directors are aware, there are no arrangements in place, the operation of which may at a later date result in a change of control of the Company.

13 Material contracts

13.1 Introduction

The following is a summary of (i) each material contract (other than contracts entered into in the ordinary course of business) to which the Company or its subsidiaries have entered into within the period of two years immediately preceding the date of this document; and (ii) any other contract (other than contracts entered into in the ordinary course of business) entered into by the Company or its subsidiaries which contains obligations or entitlements which are or may be material as at the date of this document.

13.2 Strand Hanson Transaction Engagement Letter

Pursuant to an engagement letter dated 27 January 2021, Strand Hanson agreed to act as the Company's financial adviser in connection with Admission and the Company's nominated adviser for the purposes of the AIM Rules. In consideration of the services set out in the engagement letter, the Company agreed to pay Strand Hanson a fee of £200,000 plus applicable VAT and disbursements.

13.3 Nominated adviser agreement

The Company entered into a nominated adviser agreement with Strand Hanson on 27 November 2020 in respect of Strand Hanson acting as the Company's nominated adviser. The agreement is subject to a minimum term of 15 months and thereafter is terminable on three months' notice by either party. The Company has agreed to pay to Strand Hanson an annual retainer of £60,000 for acting as nominated adviser, as well as its properly incurred out of pocket expenses. Strand Hanson will, *inter alia*, assist the Company with complying with the AIM Rules. The agreement also contains a customary indemnity given by the Company to Strand Hanson in relation to the provision by Strand Hanson of its services under the agreement.

13.4 Share issue deed

The Company entered into a share issue deed with various persons on 27 April 2016 (the "**Corsair Share Issue Deed**").

The agreement provides for shares to be issued on the occurrence of certain prescribed events relating to the acquisition by the Company of interests in Indonesian concessions, production from Indonesian concessions exceeding 400 barrels of equivalent oil per day for a period 30 days and a person offering to acquire 30 per cent. or more of the issued share capital of the Company.

In the opinion of the directors, the maximum number of shares that would be issued pursuant to the Corsair Share Issue Deed is 1,406,250 Existing Ordinary Shares (or 140,625 New Ordinary Shares following the Capital Consolidation). The Directors are not currently contemplating pursuing opportunities in Indonesia and none of the prescribed events have occurred.

13.5 MSA

The Company entered into a master services agreement with Xodus Group Limited, (a company incorporated under the laws of Scotland (registered number SC286421) which has its registered office at 50 Huntly Street, Aberdeen, AB10 1RS, and its London office at 138 Cheapside, London, EC2V 6BJ), as contractor on 27 April 2020 ("**MSA**") to provide technical support services on the sub-surface and facilities engineering. The effective date under the agreement is 23 April 2020.

Under the MSA, the Company and Xodus Group Limited agree the terms and conditions governing the Work (being all the work that Xodus Group Limited is required to provide in accordance with the provisions of the MSA, including the provision of software (if applicable) and all materials, services and equipment to be rendered in accordance with the MSA) to be provided by Xodus Group Limited under the MSA. The MSA is entered into on a non-exclusive basis such that the Company may order work similar or identical to the Work from other parties.

13.6 Broker Agreements

The Company entered into a broker agreement with Tennyson Securities (the "**Tennyson Agreement**") dated 12 January 2021 pursuant to which the Company appointed Tennyson Securities to act as broker to the Company for the purposes of the AIM Rules for Companies. The Tennyson Agreement contains certain undertakings, warranties and indemnities given by the Company to Tennyson Securities. Under the Tennyson Agreement, the Company shall pay an annual retainer fee of £60,000 (plus any VAT) to Tennyson Securities. The Tennyson Agreement is terminable upon not less than three months' prior written notice by either the Company or Tennyson Securities.

The Company entered into a broker agreement with Optiva Securities (the "**Optiva Agreement**") dated 2 February 2021 pursuant to which the Company appointed Optiva Securities to act as broker to the Company for the purposes of the AIM Rules for Companies. The Optiva Agreement contains certain undertakings, warranties and indemnities given by the Company to Optiva Securities. Under the Optiva Agreement, the Company shall pay an annual retainer fee of £25,000 (plus any VAT) to Optiva Securities. The Optiva Agreement is terminable upon not less than three months' prior written notice by either the Company or Optiva Securities, however the Optiva Agreement is for an initial fixed term of 12 months.

13.7 Placing Agreement

A Placing Agreement dated 31 March 2021 between (i) the Company, (ii) the Directors, (iii) Strand Hanson, (iv) Tennyson Securities and (v) Optiva Securities, pursuant to which Strand Hanson, as the Company's nominated adviser, and Tennyson Securities and Optiva Securities as the Company's Joint Brokers, have been granted certain powers and authorities in connection with the Placing and the application for Admission. Under the terms of the Placing Agreement, the Company and the Directors have given certain customary representation and warranties to the Strand Hanson and the Joint Brokers, the Company has given certain customary indemnities to the Strand Hanson and the Joint Brokers in connection with Admission, the Acquisition and other matters relating to the Group and its affairs. The liability of each Director is capped. Strand Hanson and/or the Joint Brokers may terminate the Placing Agreement in certain specified circumstances prior to Admission, principally if any of the warranties has ceased to be true and accurate or shall have become misleading in any respect or in the event of circumstances existing which make it impracticable or inadvisable to proceed with Admission. A corporate finance fee is payable to Strand Hanson upon Admission. A commission is payable to the Joint Brokers on the gross proceeds of the Placing.

13.8 Lock-in and orderly market agreements

Lock-in and Orderly Market Agreements to be dated on or around the date of Admission between the (i) the Company, (ii) Strand Hanson, (iii) Tennyson Securities (iv) Optiva Securities and (v) the Locked-In Shareholders, pursuant to which each Locked-In Shareholder has, conditional on Admission, undertaken as a separate undertaking to each of the Company, Strand Hanson, Tennyson Securities and Optiva Securities that, subject to certain limited exceptions, they will not dispose of, or agree to dispose of, Ordinary Shares held by them or on behalf of them for a period of 12 months from the date of Admission.

Each Locked-In Shareholder has also undertaken that for the period of 12 months following the anniversary of the date of Admission, subject to certain conditions, they will only dispose of Ordinary Shares held by them in consultation with each of Strand Hanson, Tennyson Securities and Optiva Securities (in order to maintain an orderly market in the Shares) and then through Tennyson Securities and Optiva Securities.

13.9 Warrant Instruments

On the date of Admission the Company will enter into a warrant deed pursuant to which the Company, conditional upon Admission, grants to Tennyson Securities 18,926,550 Warrants over New Ordinary Shares exercisable at the Placing Price (subject to usual adjustment and anti dilution provisions) during the period starting on Admission and ending on the fifth anniversary thereof.

On the date of Admission the Company will enter into a warrant deed pursuant to which the Company, conditional upon Admission, grants to Optiva Securities 21,488,500 Warrants over New Ordinary Shares exercisable at the Placing Price (subject to usual adjustment and anti dilution provisions) during the period starting on Admission and ending on the third anniversary thereof.

On the date of Admission the Company will enter into a warrant deed with Strand Hanson pursuant to which the Company, conditional upon Admission, grants to Strand Hanson 5,138,070 Warrants over New Ordinary Shares exercisable at the Placing Price (subject to usual adjustment and anti dilution provisions) during the period starting on Admission and ending on the fifth anniversary thereof.

The Company has entered into warrant agreements and option agreements with various persons, details of which are set out in paragraph 6.1 of this Part VII of this document.

13.10 Registry agreement

The Company has entered into a Registry Agreement that was subsequently novated to Computershare Investor Services (Jersey) Limited (the "**Registrar**") dated (the "**Deed of Novation**").

The agreement which relates to the provision of registry related services for an initial term of three years until terminated by 6 months' notice. The Registrar Agreement contains certain indemnities given by the Company to the Registrar which are customary for an agreement of this nature.

13.11 Betun Selo deed of termination and release

The Company entered into a deed of termination and release dated 5 October 2020 of operating services and option deed made between: (i) PT Celebes Artha Ventura ("**CAV**"); (ii) PT Petroenim Betun Selo ("**PBS**"); and (iii) the Company in relation to the operations cooperation agreement between PT Pertamina EP and PBS for production on the Betun-Selo operating area dated 20 June 2019 (the "**Betun Selo Operating Services and Option Deed**") and between the same parties that related to the operations cooperation agreement between PT Pertamina EP and PBS for production on the Betun-Selo field operating area dated 28 June 2012.

The parties agreed to terminate the Betun Selo Operating Services and Option Deed and retain no ongoing obligations or liabilities other than arising from a breach by a party of the Betun Selo deed of termination and release or from the fraud of any party). The parties agreed to release all liabilities and claims against each other in connection with the Betun Selo Operating Services and Option Deed from the date of the Betun Selo deed of termination and release.

13.12 Buffalo Subscription Agreement

The capitalised terms used in this summary which are not defined in the Definitions and Abbreviation section of this document shall have the respective meanings as set out under *Definitions* within this paragraph 13.12 below.

Parties and Background

The Buffalo Subscription Agreement was entered into on 17 December 2020 between (i) CNVA; (ii) Carnarvon Petroleum Timor; (iii) AETL; and (iv) the Company (as guarantor of AETL's obligations under the Buffalo Subscription Agreement).

As background to the agreement, Carnarvon Petroleum Timor owns the Buffalo Oil Field re-development project, located in the Buffalo PSC Contract Area (the "**Buffalo Project**") and is the "Contractor" and "Operator" of the Buffalo PSC. In consideration for AETL's funding of the B-10 Appraisal Well Costs and reasonably endeavouring to fund the Buffalo Project, Carnarvon

Petroleum Timor agrees to issue a Quota to AETL such that AETL will acquire an equity interest in Carnarvon Petroleum Timor of a minimum of 25 per cent. and a maximum of 50 per cent. (on a sliding scale).

The Buffalo Subscription Agreement envisions that at same time as the issue of the initial Quota above, CVNA, Carnarvon Petroleum Timor and AETL will enter into the Buffalo Equity Holders Agreement, which is summarised at paragraph 13.15 (Buffalo Equity Holders Agreement) below.

Issue of Subscription Quota

Pursuant to the terms of the Buffalo Escrow Agreement, on the date of Admission (the "**Subscription Completion Date**"), Carnarvon Petroleum Timor is to issue to AETL, a Quota (the "**Subscription Quota**") free and clear of all encumbrances.

Issue terms

The Subscription Quota will (i) have a par value of USD $1,000,000 (for each 2.5 per cent. holding in Carnarvon Petroleum Timor), (ii) be issued as fully paid, (iii) rank equally (on a *pro-rata* basis) in all respects with all other Quota issued by Carnarvon Petroleum Timor, and (iv) comprise a fixed percentage of the issued capital of Carnarvon Petroleum Timor.

Ownership of Carnarvon Petroleum Timor

On completion of the subscription ("**Subscription Completion**"), Carnarvon Petroleum Timor will be owned as follows: (i) CVNA, between 50 per cent. and 75 per cent. (par value USD $5,000) and (ii) AETL between 25 per cent. and 50 per cent. (par value of USD $10,000,000 to USD $20,000,000). The share capital in the Certidao do Registo Comercial will be a maximum of USD $20,005,000.

Subscription Quota

If the B-10 Appraisal Well Costs are USD $20,000,000 or less, and AETL has paid a subscription price that exceeds those B-10 Appraisal Well Costs ("**Excess Funds**"), those Excess Funds shall be credited against future cash calls that may be made by Carnarvon Petroleum Timor to AETL pursuant to the Equity Holders Agreement.

If AETL raises sufficient funds to subscribe at least USD $10,000,000, but not the entire USD $20,000,000 then (if all other conditions precedent are satisfied):

(i) The Subscription Quota will be issued in accordance with a sliding scale as follows:

AETL Subscription Amount ($USD)	*AETL Equity in Carnarvon Petroleum Timor*
10	25.0%
11	27.5%
12	30.0%
13	32.5%
14	35.0%
15	37.5%
16	40.0%
17	42.5%
18	45.0%
19	47.5%
20	50.0%

(ii) Within 90 days from Completion, CVNA may procure funding of the shortfall in the Estimated B-10 Appraisal Well Costs ("**Shortfall Funding**"), and can either elect to enter into the CVNA Loan, summarised at (*CNVA Loan*) below, or introduce a third party to the Equity Holders Agreement in accordance with the procedures included in the Equity Holders Agreement, provided that AETL must not be diluted by this process and will have a matching right in relation to the Shortfall Funding to the extent that the Shortfall Funding proceeds by way of the issue of a Quota by Carnarvon Petroleum Timor.

CVNA Loan

If required, CVNA may elect to provide a loan to Carnarvon Petroleum Timor to ensure full funding of the B-10 Appraisal Well Costs ("**CVNA Loan**"). The terms of the CVNA Loan will be arms-length terms and as set out below.

CNVA Loan repayment provisions

Following the commencement of commercial production from the Buffalo Field, the CVNA Loan will be repayable in accordance with the following provisions:

(i) the CVNA Loan is only repayable out of after-tax profits of Carnarvon Petroleum Timor;

(ii) the CVNA Loan will rank in priority to the Advance Loan in respect of repayment, participation in surplus capital on a winding up and in relation to all other matters;

(iii) the parties will procure that Carnarvon Petroleum Timor does and will not, declare or pay a dividend until the CVNA Loan and the Capex Loans have been repaid in full;

(iv) it is not necessary for all profits of Carnarvon Petroleum Timor to be allocated to repayment of the CVNA Loan;

(v) Carnarvon Petroleum Timor will be entitled to retain profits to the extent that Carnarvon Petroleum Timor anticipates funding requirements for capital or operating expenditure over the forthcoming 12 month period;

(vi) Carnarvon Petroleum Timor is not entitled to obtain loans from shareholders in order to repay the CVNA Loan; and

(vii) CVNA Loan repayments will be suspended in the event that Carnarvon Petroleum Timor does not have available cash to make any agreed repayment of the CVNA Loan and/or the Development Loan.

Carnarvon Petroleum Timor must not make any repayments of the CVNA Loan or the Existing Loan unless and until the commencement of commercial production from the Buffalo Field. No interest is payable on the CVNA Loan or the Existing Loan. The Existing Loan will be subordinated to all other indebtedness of Carnarvon Petroleum Timor including the Development Loan, CVNA Loan and the Advance Loan and is only repayable out of after-tax profits of Carnarvon Petroleum Timor.

No establishment fee, up front finance costs, loan facility establishment costs, costs of arranging the finance, or anything of this nature or any other fee, is payable by any party to the agreement in connection with the CVNA Loan.

Conditions

Approval

Subscription Completion is conditional upon (i) AETL obtaining funding for the B-10 Appraisal Well to an amount of at least USD $10,000,000, to the satisfaction of CVNA, (acting reasonably) (which may only be waived by agreement of AETL and CVNA), (ii) Ministerial Approval of both of the Buffalo Subscription Agreement and the Equity Holders Agreement, (which has been obtained), (iii) AETL obtaining consent of its shareholders in general meeting in accordance with rule 14 of the AIM Rules for all matters contemplated by the agreement (which may be waived by AETL), and (iv) the Placing Agreement becoming unconditional (which may be waived by AETL).

Timing

Each party must use all reasonable efforts within its own capacity to ensure that each Condition is fulfilled before 30 April 2021 (the "**Drop Dead Date**") (following a one month extension agreed under an amendment letter to the Buffalo Subscription Agreement dated 5 March 2021), or such later date agreed by CVNA and AETL.

Government Fees and Conditions

AETL bears the cost of all Government fees payable under contract, law or statute, in relation to the Ministerial Approval. Either party may terminate the agreement if the Timor-Leste Government imposes conditions for the Ministerial Approval which are unusual and onerous and which either AETL or CVNA is not willing to accept.

The effect of such termination shall be in accordance with the provisions summarised at the paragraph headed Action on Termination below.

Drop Dead Date and Termination

If the conditions to completion of the Buffalo Subscription Agreement are not satisfied by the Drop Dead Date, either party may terminate the Buffalo Subscription Agreement. A party seeking to terminate the Buffalo Subscription Agreement must give 7 days' notice in writing to the other parties of its intention to do so.

Any party may terminate the agreement at any time prior to the Subscription Completion Date by giving written notice to the other parties (and providing any other party with a copy of the such notice) if (i) an insolvency event is initiated in relation to another party, or (ii) if that other party has breached any representation or warranty given (but only to the extent that such breach has an adverse effect on the Buffalo PSC or the consummation of the transactions contemplated by the Buffalo Subscription Agreement).

Action on Termination

If the Buffalo Subscription Agreement is terminated then:

(i) each party is released from its obligations under the agreement except for those obligations which are expressed to survive termination;

(ii) each party retains any rights it has against any other for any breaches occurring before termination;

(iii) each party must at its own cost do all acts and things, including executing of all documents, necessary to reverse all actions taken under this agreement; and

(iv) AETL must return to CVNA all documents and other material in any medium in its possession or control which contain information relating to the Buffalo PSC.

Obligations before Subscription Completion

The Buffalo Subscription Agreement contains certain pre-Subscription Completion obligations which apply to CVNA. A summary of certain of the key obligations is set out below.

CVNA obligations regarding the continuity of the Buffalo Project

Until Subscription Completion, CVNA must, and must ensure that Carnarvon Petroleum Timor:

(v) carries on the Buffalo Project in the usual and prudent manner;

(vi) consults with AETL concerning any significant management decisions relating to the Buffalo Project (including any decision relating to matters which will, after Subscription Completion, require unanimous approval under the Buffalo Equity Holders Agreement);

(vii) observes, performs and discharges up to the Subscription Completion Date all of the covenants, agreements, obligations and liabilities pertaining to the Buffalo PSC or imposed by law or any agreement to which Carnarvon Petroleum Timor is a party to be observed and performed by Carnarvon Petroleum Timor;

(viii) pays all amounts due and payable in respect of its employees, contractors and consultants; and

(ix) promptly notifies AETL of any abnormal or unusual events with respect to the Buffalo Project or Carnarvon Petroleum Timor or the occurrence of any event outside the ordinary course of business.

Restricted actions of CVNA

CVNA must not, and must ensure that Carnarvon Petroleum Timor does not, up to the Subscription Completion Date, without the prior written consent of AETL:

(i) enter into, terminate, vary or fail to renew any commitment, contract or arrangement relating to the Buffalo Project other than in the ordinary course of its business;

(ii) transfer any interest in the Buffalo Project or in Carnarvon Petroleum Timor, or alter Carnarvon Petroleum Timor's capital structure in any way;

(iii) dispose of or acquire any asset having a value exceeding USD $100,000 and which is material to the operation of the Buffalo Project, other than in the ordinary course of business;

(iv) dispose of any assets to, or acquire any assets from, or advance any loans to, CVNA or a related body corporate of CVNA;

(v) enter into or create any encumbrance over any of its assets, other than a Permitted Encumbrance;

(vi) incur any expenditure or liability exceeding USD $100,000 (other than in relation to a matter referred to in a Work Program and Budget);

(vii) pay any dividend or make any other distribution of Carnarvon Petroleum Timor's income or profits or repay the Carnarvon Loan other than in accordance with its terms;

(viii) change CNV's Articles and Memorandum of Association; or

(ix) do anything, or fail to do anything, or, to the extent that such matter is within the CVNA or Carnarvon Petroleum Timor's control, allow anything to happen, which would make a warranty false or misleading when made under the agreement.

Subscription Completion

Subscription Completion takes place on the Subscription Completion Date. The Buffalo Subscription Agreement contains detailed provisions in relation to the obligations of each of CVNA and AETL at Subscription Completion, including an obligation to enter into the Buffalo Equity Holders Agreement.

The Company must enter into such security arrangements as CVNA may reasonably require in relation to obligations of AETL under the Equity Holders Agreement.

B-10 Appraisal Well

AETL and CVNA will promptly procure that Carnarvon Petroleum Timor drills the B-10 Appraisal Well as soon as reasonably practicable, and in any event at some time during 2021. The parties acknowledge that their good faith estimate of the B-10 Appraisal Well Costs is approximately USD $20,000,000 ("**Estimated B-10 Appraisal Well Costs**") and that the actual cost may be higher or lower than this.

Work Programme and Budget & Consequences of a failure to agree

CVNA and AETL must use reasonable endeavours to agree the Work Programme and Budget for the B-10 Appraisal Well and AFE (including specific location and well design), having regard to the detailed parameters set out in the Buffalo Subscription Agreement.

If the Parties are unable to agree a proposed Work Programme and Budget and AFE for the B-10 Appraisal Well within 30 days of Subscription Completion, Carnarvon Petroleum Timor or AETL can refer the matter to an independent expert under the Equity Holders Agreement.

Use of Subscription Quota funds

The Subscription Quota funds must only be used for the B-10 Appraisal Well Costs and the costs of permit administration and geological and geophysical studies to be carried out in The Buffalo PSC contract year ending 26.05.21. Any costs that are not B-10 Appraisal Well Costs will be paid by AETL and CVNA in accordance with their equity percentage ownership in Carnarvon Petroleum Timor. Any security required by creditors or suppliers to the Buffalo Project will be solely provided by AETL.

Development Capex

Funding obligations (commitment to fund the Buffalo development)

The parties have agreed that AETL will source and arrange the funding for the development capital expenditure in the Development Plan ("**Development Capex**"). The Development Capex funding of Carnarvon Petroleum Timor will be funded through (i) a loan from a third party lender to Carnarvon Petroleum Timor ("**Development Loan**") and (ii) a loan from AETL or another member of the Advance Group to Carnarvon Petroleum Timor.

The terms of the Development Loan are expected to be: Borrower: Carnarvon Petroleum Timor, Lender: Third party debt sources such as commodity traders or traditional reserve backed lenders, Principal: approximately 70 per cent. of the Development Capex and Interest: commercial rates.

The terms of the Advance Loan are expected to be: Borrower: Carnarvon Petroleum Timor, Lender: AETL or another member of the Advance Group, Principal: that part of the Development Capex that is not provided under the Development Loan (i.e. approximately 30 per cent. of the Development Capex and referred to in discussions as the "equity gap") and Interest: nil.

AETL must procure and provide to CVNA fully documented, credit- approved Advance Loan documentation in a form ready for execution by the relevant parties by no later than 180 days after the Parties agree a Development Plan.

Funding Obligations (other matters)

Carnarvon Petroleum Timor will pay for the interest due and payable on the Development Loan up to a maximum of 10 per cent. per annum. AETL will bear the cost of the interest due and payable on the Development Loan in excess of 10 per cent. per annum.

Up front finance costs, loan facility establishment costs, costs of arranging the finance, or anything of this nature in relation to the Capex Loans will be at the sole expense of AETL (and will not be an expense of CVNA or Carnarvon Petroleum Timor).

If on the proposed day of execution of the Development Loan or the Advance Loan there is a Lenders MAC or AETL anticipates (acting reasonably, and on a basis that is demonstrable to CNVA, and accepted by CVNA (acting reasonably)) that there will be a Lenders MAC on the latest date for sourcing the Development Loan (being a date no later than 180 days after the parties agree a Development Plan) or procuring the Advance Loan, AETL shall provide written notice of such event, or anticipated event, to CVNA and Carnarvon Petroleum Timor. The due date for sourcing the Development Loan and procuring the Advance Loan shall be extended until a date which reasonably allows the Lenders MAC event to end.

On receipt of such notice, Carnarvon Petroleum Timor shall commence any appropriate discussions with ANPM in relation to extending applicable time periods under the Buffalo PSC. If such notice is given, the parties will meet regularly to consider if the Lenders MAC event has ended.

If AETL fails to procure the Advance Loan by no later than 180 days after the parties agree a Development Plan, AETL will be deemed to be in default under the terms of the Equity Holders Agreement and CVNA may issue a Default Notice, as defined in, and in accordance with the terms of, the Buffalo Equity Holders Agreement.

If AETL is not able to raise USD $20,000,000, but it has raised USD $10,000,000 or more, the amount of the Advance Loan shall be reduced as outlined in accordance with the agreement.

If a third party is introduced to the joint venture, that third party shall bear its proportionate equity share of AETL's obligations in connection with the Advance Loan.

Representations and warranties

CVNA's representation and warranties

CNVA makes certain representations and warranties to AETL as at the date of the Buffalo Subscription Agreement and at the Subscription Completion Date including in relation to the capacity

and authority of Carnarvon Petroleum Timor and the issue of the Subscription Quota, the Buffalo PSC, litigation, corporate matters, the disclosure materials, intellectual property, environmental matters, the material agreements, financing matters, employees, insurance, tax matters and balance sheet matters.

AETL's representation and warranties

AETL represents and warrants to CVNA that, at the date of the Buffalo Subscription Agreement and at the Subscription Completion Date (i) there are no material claims, demands, actions, suits, governmental inquiries, or proceedings pending, threatened, against AETL which would have an adverse effect upon the consummation of the transactions contemplated by the agreement and (ii) AETL has the technical capability, personnel and resources to fulfil its obligations under the agreement.

Indemnity and Limitations on Claims

Each of CVNA and AETL indemnify each other for breaches of any of the warranties and representations given by that party.

Time limit for claims

Written notice of the claim should be provided to the other parties on before the Business Day which is (i) 5 years after Completion of the Buffalo Subscription Agreement in respect of a claim in connection with any Tax Warranty; and (ii) the 30 June 2022 in respect of all other claims under the Buffalo Subscription Agreement.

Minimum and maximum quantum of claims

The maximum aggregate amount which AETL may recover from CVNA and/or Carnarvon Petroleum Timor for all warranty claims is 100 per cent. of the aggregate of the Subscription Amount plus the amount of the funds provided by AETL in exercise of its matching right ("**Advance Claim Cap**").

CVNA and Carnarvon Petroleum Timor are not liable to make any payment in respect of any warranty claim if the amount finally adjudicated or agreed as payable is less than USD $100,000 in respect of a claim or series of related claims and until the total of all amounts finally adjudicated or agreed as payable in respect of all claims by AETL, exceeds USD $200,000 in respect of a claim or series of related claims, in which case CVNA and/or Carnarvon Petroleum Timor are liable to pay all amounts adjudicated or agreed as being payable, not just the excess over the relevant threshold.

Force Majeure

The Buffalo Subscription Agreement includes provisions in relation to Force Majeure which enables a party to claim Force Majeure following which the obligations of such party (other than obligations to pay any amounts due or to furnish security) shall be suspended during the period of Force Majeure and for such reasonable period thereafter as may be necessary for the party to mitigate the effects of Force Majeure or put itself in the same position that it occupied prior to the Force Majeure.

Default by AETL

If, following Subscription Completion, AETL fails to make a payment or satisfy its material obligations under the Buffalo Subscription Agreement, the default provisions in the Buffalo Equity Holders Agreement apply.

CVNA may give notice to AETL that it considers AETL to have committed an event of default. AETL has thirty (30) days from the date of the notice to remedy the event of default (the "**Rectification Period**"). AETL may dispute the event of default during the Rectification Period by initiating the dispute resolution procedures provided in the Buffalo Equity Holders Agreement. If not resolved pursuant to these procedures or if the event of default has not been rectified, CVNA and Carnarvon Petroleum Timor shall have to right to terminate the agreement by notice to the other parties.

If by the end of the Rectification Period, AETL has not disputed or remedied the event of default, this will be deemed to constitute a default under the terms of the Equity Holders Agreement.

Guarantee

The Company, as guarantor, unconditionally and irrevocably guarantees to CVNA on demand the due and punctual performance of the obligations of AETL under the agreement (other than the obligations in respect of the commitment to fund the Buffalo Development Capex set out in clause 8.1 of the agreement) as summarised in the paragraph (*Development Capex*) above.

Assignment

CVNA or AETL may transfer or assign all or a part of its respective interest, rights and obligations contained in the agreement to a related body corporate, otherwise, no party may otherwise assign or transfer to a third party or otherwise deal with its rights or obligations under the agreement without the consent of the other parties. If CVNA or AETL transfers or otherwise disposes of the whole or part of its equity interest in Carnarvon Petroleum Timor in accordance with the terms of the Buffalo Equity Holders Agreement, it must also contemporaneously transfer a corresponding interest in the Buffalo Subscription Agreement to the same person (and such transfer does not require the consent of the other parties under the Buffalo Subscription Agreement).

Governing Law

The agreement is governed by, construed, interpreted and applied in accordance with the laws of Western Australia. The Buffalo Subscription Agreement also contains other usual provisions, including as to confidentiality.

Definitions

- "**Advance Group**" means AETL and any related body corporate (as defined in section 9 of the Corporations Act) of AETL.
- "**Capex Loans**" means the Development Loan and Advance Loan.
- "**Corporations Act**" means the *Corporations Act 2001* (*Cth*).
- "**Government**" means the government of Australia or of Timor-Leste, as the context requires.
- "**Lenders MAC**" means a change, event, occurrence, fact or matter which, alone or with a series of similar or related matters, will, or would be reasonably likely to, have an adverse financial impact of Carnarvon Petroleum Timor and/or the Buffalo Project which would prevent, prohibit, restrict or materially impede the ability of a member of the Advance Group to source and arrange the Development Loan on behalf of Carnarvon Petroleum Timor and/or procure the Advance Loan within the timeframe required under the Buffalo Subscription Agreement.
- "**Ministerial Approval**" means (i) in respect of the Buffalo Equity Holders Agreement, approval by the Ministry in accordance with Article 18.1 of the Petroleum Activities Law; and (ii) in respect of the Buffalo Subscription Agreement, approval of the change in control to be constituted by the issue of the Subscription Quota to the Company in accordance with Article 18.2 of the Petroleum Activities Law.
- "**Permitted Encumbrance**" means, with respect to the Subscription Quota or the Additional Subscription Quota (as applicable) (i) taxes imposed by Government which are not yet due and payable and (ii) obligations arising under Laws/Regulations.
- "**Timor-Leste Government**" means the government of the Democratic Republic of Timor-Leste and any political subdivision, agency or instrumentality of it.
- "**Work Programme and Budget**" means:
    - in respect of a calendar year relating to exploration operations, a work programme and budget submitted in accordance with Article 15 of the OPO Decree-Law and approved in accordance with the Buffalo Decree-Law; and

- o in respect of a calendar year relating to development and production, a work programme and budget included in a Development Plan pursuant to Article 46 of the OPO Decree-Law, and approved in accordance with Article 47 of the OPO Decree-Law and the Buffalo Decree-Law.

13.13 Buffalo Deed of Guarantee

Parties and background

CVN has provided a parent company guarantee to guarantee the obligations of Carnarvon Petroleum Timor under the Buffalo PSC (the "**Parent Company Guarantee**"). In accordance with clause 6.3 of the Buffalo Subscription Agreement, at Subscription Completion, the Company is required to enter into such security arrangements as CVNA may reasonably require in relation to the obligations of the Company under the Buffalo Equity Holders Agreement.

Guarantee

The Company unconditionally and irrevocably guarantees to CVN on demand, the due and punctual performance of any payment or obligation demanded of CVN under the Parent Company Guarantee proportionally in relation to the Quota interest of the Company in Carnarvon Petroleum Timor.

The liability of the Company under the Deed of Guarantee is not affected by anything that might operate to release or exonerate the Company in whole or part from its obligations, including any of the following, whether with or without the consent of the Company:

(i) the grant to the Company or any other person of any time, waiver or other indulgence, or the discharge or release of the Company or any other person from any liability or obligation;

(ii) any transaction or arrangement that may take place between CVNA, Carnarvon Petroleum Timor, AETL, the Company or any other person;

(iii) CVN exercising or refraining from exercising its rights, powers or remedies against the Company or any other person;

(iv) the amendment, replacement, extinguishment, unenforceability, failure, loss, release, discharge, abandonment or transfer either in whole or in part and either with or without consideration, of the Buffalo PSC;

(v) the failure or omission or any delay by CVN to give notice to the Company of any default by Carnarvon Petroleum Timor or any other person under the Deed of Guarantee or the Buffalo PSC; and

(vi) any legal limitation, disability, incapacity or other circumstances related to the Company, or any other person.

The guarantee is a principal and continuing obligation of the Company and remains in full force and effect until termination of the obligation. The guarantee shall terminate immediately if (i) ANPM requires the Company to give a guarantee in favour of ANPM in relation to the obligations of Carnarvon Petroleum Timor pursuant to the Buffalo PSC ("**Direct PSC Guarantee**"); (ii) on termination of the Buffalo PSC and completion of any decommissioning obligations; (iii) on transfer of AETL's Quota to a third party that provides a replacement Deed of Guarantee in the form of the guarantee or provides a replacement Direct PSC Guarantee; and (iv) on termination of the Parent Company Guarantee.

The Company has no right to set off, deduct or withhold any moneys that it may be or become liable to pay under clause 2 of the Deed of Guarantee against any moneys CVN or Carnarvon Petroleum Timor may be, or become, liable to pay to the Company or a Related Body Corporate of the Company.

Warranty

The Company represents and warrants in favour of CVN in customary terms.

CVN undertakes not to make any demand under the Deed of Guarantee for payment or performance of any obligation which is not proportional to the Quota interest of the Company in Carnarvon Petroleum Timor.

Interest

Default interest applies at a rate of 7 per cent. per annum.

Governing law

The Deed of Guarantee shall be governed by the laws of Western Australia, exclusive of any conflicts of laws principles that could require application.

13.14 Buffalo Letter Agreement

Parties and background

The Buffalo Letter Agreement is entered pursuant to the Buffalo Subscription Agreement and is addressed to the directors of CVNA and Carnarvon Petroleum Timor and entered into between the Company and AETL to be agreed and accepted by CVNA and Carnarvon Petroleum Timor.

Certain provisions of the Buffalo Subscription Agreement are incorporated by reference, including provisions relating to confidentiality and assignment.

Security Arrangements

At Subscription Completion, the Company is required to enter into security arrangements as reasonably required by CVNA in relation to the obligations of AETL under the Equity Holders Agreement.

If the ANPM require a guarantee to be given in favour of the ANPM in the form scheduled to the Buffalo PSC in relation to the obligations of Carnarvon Petroleum Timor pursuant to the Buffalo PSC as a condition of any consent or approval to be given by the ANPM pursuant to the Buffalo PSC or any law or regulation (i) the Company will provide such guarantee; and (ii) the parties will procure that their respective liabilities pursuant to such guarantees is proportionate to their ownership interest in Carnarvon Petroleum Timor.

If the ANPM does not require the Company to give a guarantee in favour of ANPM in relation to the obligations or Carnarvon Petroleum Timor as a condition of a consent or approval to be given by ANPM pursuant to the Buffalo PSC or any law or regulation, the Company and AETL confirm that (i) it is reasonable for CVNA to require the Company to enter into the Deed of Guarantee (together with amendments the parties may agree) (see summary in paragraph 13.13 (*Buffalo Deed of Guarantee*) above) and (ii) the Company will execute the Deed of Guarantee at Subscription Completion.

If the Company provides a guarantee directly to ANPM then it shall not be obliged to enter into the Deed of Guarantee and, in the alternative, (ii) if the Company does not provide such guarantee then entering into the Deed of Guarantee satisfies the obligation of the Company pursuant to the Buffalo Subscription Agreement in relation to security arrangements.

Indirect Charges

The Buffalo Letter Agreement also makes certain amendments to the "Indirect Charges" set out in the accounting procedures which are contained in the Buffalo Equity Holders Agreement.

13.15 Buffalo Equity Holders Agreement

The capitalised terms used in this summary which are not defined in the Definitions and Abbreviation section of this document shall have the respective meanings as set out under *Definitions* within this paragraph 13.15 below.

Term

The Buffalo Equity Holders Agreement begins on the Subscription Completion Date under the Buffalo Subscription Agreement. It continues until the earlier of the date on which:

(i) Carnarvon Petroleum Timor is wound up;

(ii) there is one Quotaholder in Carnarvon Petroleum Timor;

(iii) termination is agreed by Unanimous Approval; or

(iv) the Buffalo PSC terminates and all Joint Property in connection with the Joint Operations have been removed and disposed of, all other obligations in relation to the Joint Property have been fully discharged and final settlements have been made between the parties.

The Buffalo Equity Holders Agreement ceases for any Quotaholder on the date that they cease to be a Quotaholder.

Scope and Quota holdings

The Buffalo Equity Holders Agreement governs the relationship between the parties and establishes their respective rights and obligations in relation to operations pursuant to the Buffalo PSC, which is summarised in paragraph 13.16 (*Buffalo PSC*) below, which includes their association in the incorporated joint venture for the joint exploration, appraisal, development and production of Petroleum reserves from the Buffalo PSC Contract Area.

The acquisition of rights to explore for, appraise, develop or produce petroleum outside of the Buffalo PSC Contract Area and the exploration, appraisal, development or production of minerals other than petroleum, whether inside or outside of the Buffalo PSC Contract Area, are both activities not covered by the scope of the Buffalo Equity Holders Agreement.

Each Quotaholder must do all things within their control to procure that Carnarvon Petroleum Timor:

(i) performs its obligations under the Buffalo PSC;

(ii) does not:

(A) relinquish (or seek to relinquish) the Buffalo PSC Contract Area other than as provided for the Buffalo Equity Holders Agreement; or

(B) render the Buffalo PSC liable to cancellation; and

(iii) does not engage either alone, or with any other person, in any activity in the Buffalo PSC Contract Area or in relation to the Joint Property which would be a Joint Operation, unless expressly authorised under the Buffalo Equity Holders Agreement.

Operator

Rights and duties

Carnarvon Petroleum Timor is appointed as Operator from the Effective Date and will not profit or suffer losses by virtue of its role as operator in its conduct of Joint Operations. Subject to the terms and conditions of Buffalo Equity Holders Agreement, Carnarvon Petroleum Timor shall have all of the rights, functions and duties of an operator and has exclusive charge of, and is obliged to conduct, all Joint Operations under the supervision and direction of the management board of Carnarvon Petroleum Timor (the "**Carnarvon Board**").

Carnarvon Petroleum Timor may engage independent contracts and agents, request services from CVNA or its Affiliates pursuant to the Affiliate Services Agreement and delegate all or part of it functions to an Affiliate. Such delegation is permitted only if (i) prior written notice is given to the Quotaholders of the delegation and (ii) Carnarvon Petroleum Timor, the Quotaholders enter into a

delegation agreement with the Affiliate. Any extension or amendment thereof must be unanimously agreed. "**Affiliate**" means a body corporate which is a related body corporate of the relevant Party. For this purpose "**related body corporate**" has the meaning given to that term in Section 9 of the Corporations Act.

Subject to the terms and conditions of the Buffalo Equity Holders Agreement, Carnarvon Petroleum Timor, among other things, shall:

(i) perform Joint Operations in accordance with the Buffalo PSC, the Buffalo Equity Holders Agreement and any applicable laws. It must conduct Joint Operations in a diligent and safe manner in line with good and prudent petroleum industry practices and conservation principles. It must perform the duties for the Carnarvon Board set out in Clause 5 of the Buffalo Equity Holders Agreement, and prepare, submit and implement EHA Work Programs Budgets and an Authorisation for Expenditure ("**AFE**");

(ii) acquire all permits, consents and approvals required for the Joint Operations and maintain the Buffalo PSC and such permits in full force and effect;

(iii) maintain a Joint Account for the Joint Operation in accordance with the Accounting Procedures set out in Schedule A of the Buffalo Equity Holders Agreement; and

(iv) As required by the Buffalo PSC, pay to the Government all payments, royalties, taxes or other payments pertaining to the Joint Operations (excluding taxes measured by the income of the parties or determined by a Party's Quotaholding). It will represent the parties in all dealings with the Government and prepare, records, records and information as required and deliver them to the Government where so required.

Employees of the Operator

Subject to the Buffalo Equity Holders Agreement, Carnarvon Petroleum Timor shall determine the number of employees, their hours of work and pay in connection with the Joint Operations and will engage and retain such employees only as reasonably necessary to conduct the Joint Operations. The Carnarvon Board must approve the employment of all employees.

Information supplied by the Operator

Carnarvon Petroleum Timor shall provide the Quotaholders (or directors appointed by them) with copies of information, data and reports relating to Joint Operations including, all logs, surveys, well designs, daily drilling reports, tests and core data, analysis reports, final well recap reports, plugging reports, seismic sections and shot point location maps, final and requested intermediate geological and geophysical maps and engineering studies. Carnarvon Petroleum Timor shall further provide (among other things):

(i) regular (at least quarterly) progress reports on Joint Operations (which set out the development schedule, status and cumulative cost to date and cumulative commitments undertaken);

(ii) weekly production summaries and production activity reports, and monthly reports on well, reservoir, field and infrastructure performance;

(iii) reservoir studies, annual reserve estimate and annual forecasts of production capability, infrastructure capacity and scheduled outages;

(iv) copies of all material reports relating to Joint Operations and the Buffalo PSC required, or anticipated to be given to the Government;

(v) data, reports, forecasts and schedules under any sales agreements;

(vi) copies of accounting information to be furnished under the Accounting Procedure, monthly and annual HSE key performance reports and data; and

(vii) any other reports as directed by the Carnarvon Board or reasonably requested by a Quotaholder.

Carnarvon Petroleum Timor shall give Quotaholders access at all reasonable times to all other data acquired in the conduct of Joint Operations.

Settlement of claim and lawsuits

Carnarvon Petroleum Timor is to promptly notify the parties on any and all material claims or suits as the Carnarvon Board directs which arise out of the Joint Operations. Carnarvon Petroleum Timor cannot settle any such claim or suit for an amount in excess of $150,000.00 (US dollars) without unanimous approval.

Insurance

Carnarvon Petroleum Timor is to procure and maintain for the Joint Account all insurances as provided in Schedule A of the Buffalo Equity Holder's Agreement. These include worker's compensation and employer's liability and compulsory third-party insurance for personal injuries caused by motor vehicles. Carnarvon Petroleum Timor shall use its reasonable efforts to require contractors to maintain insurance as required by any applicable laws rules of regulations or Carnarvon Board decisions and such contractors will be required to name the parties as additional insured on the policies or else obtain insurance waivers of all rights of recourse against Carnarvon Petroleum Timor, the Quotaholders and their insurers.

Health and Safety

Carnarvon Petroleum Timor shall (among other things) produce and implement a Health, Safety and Environment ("**HSE**") plan for all Joint Operations and design and operate the Joint Property consistently with the plan and in accordance with relevant HSE laws. A party may request, at a reasonable time prior to any Joint Operation that Carnarvon Petroleum Timor provides it with a copy of the latest HSE plan.

Affiliate Services Agreement and termination

If CVNA or Carnarvon suffers an insolvency event either Carnarvon Petroleum Timor or AETL may give notice to CVNA or Carnarvon requesting that the insolvency event be resolved. If the insolvency event has not been resolved within 30 days of receipt of the notice the Affiliate Services Agreement shall terminate.

If CVNA or Carnarvon commits a material breach of the Affiliate Services Agreement all of the non-operators may give notice to CVNA or Carnarvon, specifying the breach and requiring it to be remedied within 30 days of the notice. If the breach is not capable of remedy or it is not remedied within a reasonable time, CNVA shall procure that Carnarvon assigns the Affiliate Service Agreement to the Quotaholders that holds the highest Quota and the Quotaholders will take steps to obtain appropriate consents from the Government if any are required.

If CNVA's Quotaholding falls below 15 per cent. Carnarvon Petroleum Timor shall terminate the Affiliate Services Agreement on 120 days' notice by unanimous approval of the Non-Operators. Any outgoing operator must cooperate and hand over records and information necessary for the transition to a new operator.

Board

Appointment and removals

The management of Carnarvon Petroleum Timor is vested in the Carnarvon Board and not one or more of the Directors appointed by the Quotaholders to the Carnarvon Board. From the Effective Date the Carnarvon Board will comprise of two CVNA appointed directors, two AETL appointed Directors and one East Timorese national as agreed by the Quotaholders and as appointed by the Carnarvon Board. Any third-party who acquires a Quota of 15 per cent. or more after the Effective Date or 15 per cent. or more of CVNA's exercisable rights is entitled to appoint one director for every 15 per cent. Quotaholding that it holds.

Each Quotaholder must give a notice of appointment, stating the details of the Director to be appointed, to Carnarvon Petroleum Timor. Such person becomes a Director on receipt of the notice by Carnarvon Petroleum Timor (or later, on receipt by Carnarvon Petroleum Timor of a proper consent to act signed by the appointee). A Quotaholder may remove a Director appointed by it and each Quotaholder has the right to remove a Director by giving a notice of removal to Carnarvon Petroleum Timor which includes the details of the Director and the particulars of the removal.

A Director named in such a notice ceases to be Director on receipt of the notice of removal by Carnarvon Petroleum Timor.

The Directors may elect one of the Directors to the be the chairperson. The Chairperson does not have a casting vote and is appointed for a period determined by the Carnarvon Board. If the chairperson is absent from a Carnarvon Board meeting, or unwilling to act, another person may be nominated to act by the Directors.

Directors can appoint alternate Directors with the prior written and continuing consent of the Quotaholder which appointed the Director.

Term of appointment and vacation of office

A Quotaholder must not appoint a Director other than on the basis of the appointment is terminable in accordance with the Buffalo Equity Holder's Agreement and must not represent to a Director that the Director is entitled to any form of compensation from Carnarvon Petroleum Timor or the Quotaholders upon ceasing to be a Director.

The office of a Director becomes vacant if a Director is disqualified from managing corporation or is the Director it not permitted by law to be such. Such vacancy also occurs if the Director resigns, dies, is removed from office or becomes of unsound min or becomes mentally or physically incapable of performing the functions of that office. A director ceases to be a Director if the Quotaholder who appointed the Director ceases to be a Quotaholder.

Duties and Remuneration

The Director must act reasonably and in the best interests of Carnarvon Petroleum Timor and may: (i) act in favour of its appointing Quotaholder whilst exercising the Director's duties; and (ii) communicate any information regarding Carnarvon Petroleum Timor to the Quotaholder. Directors must not be remunerated for their services unless such remuneration is agreed by the unanimous approval of all Directors.

Director Board meetings

Any Director may call a meeting of the Carnarvon Board by giving notice to the parties at least 7 days in advance. The Carnarvon Board must meet at least quarterly and notice periods may only be waived by unanimous approval of all Directors.

Carnarvon Board meetings shall be held in Dili, Timor-Leste or elsewhere as decided by the Carnarvon Board. Carnarvon Board meetings may be by audio or audio visual means.

Quorum is one Director appointed by each Quotaholder. If quorum is not present within 30 minutes from the scheduled start of a meeting the meeting will be adjourned for a minimum of 24 hours to the next business day, at the same time and place. The Directors present at the adjourned meeting will constitute quorum.

Carnarvon Petroleum Timor will (i) promptly prepare and distribute the agenda of a Carnarvon Board meeting, (ii) organise and conduct the Carnarvon Board meeting (iii) circulate a written record of the Carnarvon Board meeting to the Directors within 10 days after the meeting.

Voting and Board reserved matters

Except as otherwise expressly provided in the Buffalo Equity Holder's Agreement, all decisions of the Carnarvon Board shall be decided by an Affirmative Decision, being an affirmative vote of Directors representing 2 of more Quotaholders (which are not Affiliates) where the Quotaholders represented collectively hold at least 65 per cent. of the Quota in Carnarvon Petroleum Timor, (an "**Affirmative Decision**"). The Directors aggregate voting power is equal to the Quotaholding of their appointing Quotaholder.

If an Affirmative Decision cannot be obtained after 30 days from the date of the Carnarvon Board meeting in which the proposal was first raised the Carnarvon Petroleum Timor is authorised to undertake all necessary actions to keep the Buffalo PSC in full force and effect.

The following matters require unanimous approval of the Directors:

(i) any decision to vary the terms and conditions of the Buffalo PSC, including exercise of an option relating to an Extension Period or the drilling of any Exploration Well beyond the Minimum Exploration Work Requirements;

(ii) voluntary relinquishment of any part of the Buffalo PSC Contract Area;

(iii) any disposal, surrender or termination of the Buffalo PSC;

(iv) the creation of any Encumbrance over the Buffalo PSC, Buffalo PSC Contract Area or any Joint Property;

(v) abandonment, sale or disposal of any Joint Property;

(vi) abandonment of a well that is producing or capable of producing Petroleum;

(vii) declaration and determination of the area designated as forming part of a Discovery;

(viii) final investment decision on the Buffalo Project;

(ix) approval of the Development Plan for the Buffalo Project and any subsequent development plan;

(x) any product sales agreement or offtake agreement and any amendment, price review or renegotiation thereof;

(xi) any steps to wind up or dissolve Carnarvon Petroleum Timor;

(xii) any decision to enter into any business other than that associated with the Buffalo PSC;

(xiii) any decision to permanently or indefinitely suspend the business of Carnarvon Petroleum Timor otherwise than on operational grounds;

(xiv) issue further Quota or other securities in Carnarvon Petroleum Timor other than as expressly stated in the Buffalo Equity Holder's Agreement;

(xv) give any bond or guarantee in favour of any person other than as expressly stated in the Buffalo Equity Holder's Agreement;

(xvi) payment of fees to Directors;

(xvii) sale or disposal of all or substantially all of the assets of Carnarvon Petroleum Timor;

(xviii) sale or disposal of any interest in the Buffalo PSC;

(xix) amendment to, or waiver and/or compromise or settlement of rights under the Affiliate Services Contract and entry into any agreement with any Related Body Corporate of a Quotaholder; and

(xx) such other matters as the Quotaholders unanimously agree are required to be determined by the Unanimous Approval of the Quotaholders.

Quotaholder meetings

Carnarvon Petroleum Timor must convene Quotaholder general meetings at least once a year and such meetings should be held in accordance with the CVN Articles and Memorandum of Association. A Quotaholder meeting may be convened by a Director and must be convened by the Carnarvon Board when required by written notice from a Quotaholder. Each Quotaholder and Director must be given 21 days' notice prior to any Quotaholders meeting unless each Quotaholder consents to a shorter notice period.

The quorum for a Quotaholders meeting is a representative of each Quotaholder. If quorum is not present within 30 minutes from the scheduled start of a Quotaholder meeting the meeting will be adjourned for a minimum of 24 hours to the next business day, at the same time and place. The Quotaholders present at the adjourned meeting will constitute quorum of the rescheduled meeting.

Decision making

Except as otherwise expressly provided in the Buffalo Equity Holder's Agreement, all decisions and approvals of the Quotaholders shall be decided by an affirmative vote of 2 or more Quotaholders (which are not Affiliates) who collectively hold at least 65 per cent. of the Quota in Carnarvon Petroleum Timor.

Deadlock provisions

Where the Carnarvon Board is unable to resolve a matter by the required majority and where Carnarvon Petroleum Timor would consequentially be in breach of (i) material contractual obligations owed to third parties or (ii) relevant laws or regulations, then a Quotaholder may send another Quotaholder a notice (the "**Deadlock Notice**"). The Deadlock Notice should set out the matter in dispute, the Quotaholder's position and reasoning.

After the Deadlock Notice the Quotaholders must procure that their respective chief executive officers (or equivalent position) meet and use all reasonable endeavours to resolve the matter as soon as possible. If the matter is not resolved within 30 days after the Deadlock Notice then either Quotaholder can refer the matter for resolution by an independent expert in accordance with Clause 19.3 of the Buffalo Equity Holder's Agreement as summarised in (*General*) below.

Work programs and budgets

Recertification of Reserves

As soon as practicable following a Successful B-10 Appraisal Well, Carnarvon Timor must arrange for a recertification of the reserves in the Buffalo Field to be undertaken by RISC Advisory. The cost of the recertification process shall be for the Joint Account.

After recertification, Carnarvon Petroleum Timor shall prepare a draft Development Plan, together with the first annual Development EHA Work Program and Budget and provisional Development EHA Work Programs and Budgets for the remainder of the development of the Buffalo Field. These shall (i) be prepared in a manner that is consistent with the objective of maximising the value of the Buffalo Field; (ii) contain details of the proposed work to be undertaken, personnel required and expenditures to be incurred, including the timing of same, on a Calendar Year basis; (iii) contain an estimated date for the commencement of production; (iv) contain a delineation of the proposed exploitation area; (v) contain any other information requested by AETL or CVNA; and (vi) otherwise comply with the requirements of Article 46 of the OPO Decree Law.

Draft Development Plan

After preparation of the draft Development Plan, the Carnarvon Board shall meet to consider and either approve or reject the draft Development Plan and the first annual Development EHA Work Program and Budget submitted by Carnarvon Petroleum Timor. The Directors can only reject the Development Plan on reasonable grounds. Once approved, the draft Development Plan must be submitted to ANPM on or before the date that is 12 months from the date of completion of the Successful B-10 Appraisal Well.

Exploration and Appraisal

By no later than 4 Months before the end of each subsequent Calendar Year, Carnarvon Petroleum Timor shall prepare a proposed exploration EHA Work Program and Budget detailing the Joint Operations for the following Calendar Year. The Carnarvon Board will agree on a EHA Work Program and Budget before 1 Month after submission of the proposed exploration EHA Work Program and Budget.

If a Discovery is made, Carnarvon Petroleum Timor will promptly provide the Carnarvon Board with a notice of Discovery. If the Carnarvon Board determines that the Discovery merits appraisal, Carnarvon Petroleum Timor will prepare a proposed appraisal EHA Work Program and Budget for the appraisal of the Discovery as soon as practicable. Within 45 Days of such preparation, or earlier if required under the Buffalo PSC, the Carnarvon Board shall meet to consider, modify and then either approve or reject the appraisal EHA Work Program and Budget.

If the appraisal EHA Work Program and Budget is approved by the Carnarvon Board, Carnarvon Petroleum Timor shall take such steps required under the Buffalo PSC to secure approval of the appraisal EHA Work Program and Budget by the Government. In the event the Government requires changes in the appraisal EHA Work Program and Budget, the matter shall be resubmitted to the Carnarvon Board for further consideration.

The EHA Work Program and Budget agreed shall include the Minimum Exploration Work Requirements, or at least that part of such Minimum Exploration Work Requirements required to be carried out during the then current Calendar Year. If within the time periods prescribed the Carnarvon Board has not approved the EHA Work Program and Budget, then the proposal capable of satisfying the Minimum Exploration Work Requirements for the Calendar Year in question that receives the most Quotaholder appointed Director support (even if less than 65 per cent.) is deemed adopted as part of the annual EHA Work Program and Budget.

Any approved EHA Work Program and Budget may be revised by the Carnarvon Board. This timing has been set to enable compliance with Article 15 of the OPO Decree Law and the requirement to submit calendar year work programmes and budgets to the Ministry no later than 60 days prior to the end of the calendar year.

Approval of any such EHA Work Program and Budget, which includes an Exploration Well or an Appraisal Well, shall include approval only for expenditures necessary for the drilling, Deepening or Sidetracking, unless provision is made in the EHA Work Program and Budget for Testing, EHA Completion with respect to the well. When such well has reached its authorised depth, all logs and cores have been conducted and the results obtained, Carnarvon Petroleum Timor shall submit to the Carnarvon Board an election to attempt to Test and/or EHA Complete. It shall include an AFE for such Testing and/or EHA Completion costs.

Development

If the Carnarvon Board determines that a Discovery may be commercial (other than in relation to the B-10 Appraisal Well), Carnarvon Petroleum Timor shall prepare an Additional Development Plan, the first annual Development EHA Work Program and Budget for that Discovery and provisional EHA Work Programs and Budgets for the remainder of the development of the Discovery. These will contain (i) details of the proposed work to be undertaken, personnel required and expenditures to be incurred and timing, on a Calendar Year basis; (ii) an estimated start date of production; (iii) a delineation of the proposed Exploitation Area; and (iv) any other information requested by the Carnarvon Board; and such other information otherwise required to comply with the Article 46 of the OPO Decree Law.

Prior to any applicable Buffalo PSC or legal deadlines the Carnarvon Board shall consider and/or modify and then either approve or reject the Additional Development Plan and the first annual EHA Work Program and Budget for the development.

If the Additional Development Plan is approved by the Carnarvon Board, such work shall be incorporated into and form part of annual EHA Work Programs and Budgets, and Carnarvon Petroleum Timor shall, submit to the Carnarvon Board a Development EHA Work Program and Budget for the Exploitation Area, for the following Calendar Year four (4) months before the commencement of that Calendar Year. No later than one (1) Month after submission, the Carnarvon Board shall endeavour to agree to such Development EHA Work Program and Budget for the Discovery, including any necessary or appropriate revisions to the EHA Work Program and Budget for the approved Additional Development Plan.

Pending approval of the Additional Development Plan and Development EHA Work Program and Budget for the relevant Discovery, Carnarvon Petroleum Timor shall take such actions for the Joint Account as are necessary to maintain the Buffalo PSC in full force and effect.

Production

On or before the 30th Day of two of each Calendar Year, Carnarvon Petroleum Timor shall prepare (i) a proposed production EHA Work Program and Budget detailing the Joint Operations relating to production to be performed in the Exploitation Area and (ii) the projected production schedule for

each hydrocarbon stream for the following Calendar Year. On or before the 23rd Day of October of each Calendar Year after the Carnarvon Board shall agree upon a production EHA Work Program and Budget.

Itemisation of expenditures

Each EHA Work Program and Budget and Development Plan shall contain an itemised estimate of the costs of Joint Operations and all other expenditures to be made for the Joint Account during the relevant Calendar Year and will:

(i) identify detailed work categories to identify the nature, scope and duration of the activity;

(ii) contain a detailed estimate of the costs of Joint Operations and all other expenditures to be made for the Joint Account during the period;

(iii) include such reasonable information regarding Carnarvon Petroleum Timor's allocation procedures and estimated manpower costs as the Carnarvon Board may determine;

(iv) contain an estimate of funds to be expended during each Calendar Quarter; and

(v) during the Exploration Period, provide a forecast of annual expenditures and activities through the end of the Exploration Period.

The EHA Work Program and Budget shall designate the Buffalo PSC Contract Area portion(s) in which Joint Operations itemised are to be conducted and shall specify the kind and extent of such operations in the detail as the Carnarvon Board may deem suitable.

AFE Procedure

Prior to making any expenditures or incurring any commitments for the Joint Account, Carnarvon Petroleum Timor shall send to each Quotaholder an AFE after obtaining the Carnarvon Board's approval. Each AFE proposed shall (i) identify the operation by specific reference to the applicable line items in the EHA Work Program and Budget; (ii) describe the work in reasonable detail; (iii) contain an estimate of the total funds required to carry out such work; (iv) outline the proposed work schedule; (v) provide a timetable of known expenditures; and (vi) be accompanied by such other supporting information to make an informed decision.

Revision of approved AFE

Except in relation to any line item relating to a B-10 Appraisal Well Cost, at any time, the Carnarvon Petroleum Timor may submit to the Carnarvon Board, a proposal to revise an approved AFE. Any proposed revision will be reviewed, considered and voted on by the Carnarvon Board within the periods and in accordance with the procedures set out in this Agreement as are applicable to the approval of AFEs. Any revised AFE will supersede the existing approved AFE.

Distribution policy

Subject to the provisions of the CNV Articles and Memorandum of Association of Carnarvon Petroleum Timor and the law, the Quotaholders shall procure that Carnarvon Timor distributes profits on a regular basis, subject to the need to maintain adequate working capital, and funds required for EHA Work Program and Budget commitments.

Default

Any party that (i) fails to perform any material obligations or fails to pay any material amount due under The Buffalo Equity Holder's Agreement or (ii) suffers an insolvency event, shall be in default. Any party who is not in default may promptly give notice of such default to the defaulting party (the "**Defaulting Party**") and each other non-defaulting parties. The amount unpaid by the Defaulting Party bears interest at the Default Interest Rate from the date due until its paid in full. "**Default Period**" means the period beginning 5 Days from the date that the Default Notice is issued and ends when all the Defaulting Party's defaults have been remedied in full.

Rights during Default Period

The Defaulting Party shall have no right, during the Default Period to (i) call or attend Carnarvon Board meetings, (ii) vote on any matter before the Carnarvon Board, (iii) vote on any matter requiring

Unanimous Approval, (iv) access any data or information relating to any operations, (v) transfer all or part of its Quotaholding, except in accordance with Clause 9 as summarised in below at (*Remedies*), (vi) consent to or reject any transfer or otherwise exercise any other rights in respect of Transfers under Clause 9 or under Clause 13, or (vii) take assignment of any portion of another party's Quotaholding in the event such other party is in default.

During the Default Period any matters requiring a unanimous vote or Carnarvon Board or Quotaholders approval shall not require the vote or approval of the directors appointed by the Defaulting Party, and the Defaulting Party shall be deemed to have approved and shall join with the Non-Defaulting Parties in taking, any other actions voted on during the Default Period.

Remedies

If a Defaulting Party has not remedied its Default within 30 days after service of a Default Notice then any non-defaulting party (the "**Non-Defaulting Party**") may give a Buy-out Notice to the Defaulting Party. If any Non-Defaulting Party gives a Buy-out Notice, then each remaining Non-Defaulting Party has 30 days thereafter to also give a Buy-out Notice. Those Non-Defaulting Parties who, at the end of the 30 days, have given a Buy-out Notice, will purchase the Defaulting Party's Quotaholding. The Defaulting Party must sell its Quotaholding.

The Purchasing Parties will comprise each of the Non-Defaulting Parties who have given a Buy-out Notice, in the proportion that its respective Quotaholding bears to the aggregate Quotaholding of all the Non-Defaulting Parties who have given a Buy-out Notice ("**Purchasing Parties**").

Consequences of Buy-out Notice

If a Buy-out Notice is given, the Defaulting Party will sell its Quotaholding, free of all Encumbrances. The price payable by the Purchasing Parties for the Defaulting Party's Quotaholding ("**Buy-out Price**") will be equal to 75 per cent. of the Fair Value of the Defaulting Party's Quotaholding. The Fair Value will be as agreed between the Defaulting Party and the Purchasing Parties. If they cannot agree within 14 days after the date on which the Buy-out Notice is given, then the Purchasing Parties may give the Defaulting Party Notice requiring that the matter be referred to an expert for determination. The expert's costs are borne by the Defaulting Party. The Purchasing Parties and the Defaulting Party will each bear their own costs of, and incidental to, the expert determination.

EHA Completion of the sale and purchase of the Defaulting Party's Quotaholding will take place within 60 days after the date on which the Buy-out Price is agreed (plus any additional time that is required to obtain the necessary Government consents). At completion, the Defaulting Party must do anything reasonably required by the Purchasing Parties to assign its Quotaholding to the Purchasing Parties.

At completion, the Purchasing Parties must pay to the Defaulting Party the Buy-out Price, less (i) any costs and expenses of the expert (if applicable) (ii) any other amounts owed by the defaulting party and (iii) any other costs incurred by the Purchasing Parties in relation to the purchase of the Defaulting Party's Quotaholding. The Purchasing Parties must pay any amounts deducted from the Buy-out Price to the persons owed those amounts by the Defaulting Party. Carnarvon Petroleum Timor is appointed as the Defaulting Party's attorney to execute any transfer or other document and do anything which gives effect to the sale.

The obligations of the Defaulting Party and the rights of the Non-Defaulting Parties survive the relinquishment or termination of the Buffalo PSC, abandonment of Joint Operations and termination of the Buffalo Equity Holder's Agreement.

Funding

The Buffalo Equity Holder's Agreement anticipates that a significant majority of the funding for the B-10 Appraisal Well Costs will be provided in accordance with the Buffalo Subscription Agreement. Cash Calls are therefore only anticipated after the "**Subscription Amount**" and "**Shortfall Funding**" (defined in the Buffalo Subscription Agreement) are exhausted in relation to the B-10 Appraisal Well Costs.

Cash Calls

The operating expenditure and general and administrative costs of Joint Operations will be the subject of Cash Calls as required. Carnarvon Petroleum Timor may request in accordance with the Accounting Procedure that the Quotaholders contribute to the funding of Carnarvon Petroleum Timor by issuing a notice to each Quotaholder (a "**Cash Call**"). The Cash Call should specify (i) the amount required from each Quotaholder in accordance with their Quotaholding and the due date for the funding provision, (ii) whether funding is by way of equity issue or loan note and (iii) the payment due date.

If there is a reasonable prospect that Carnarvon Petroleum Timor will become insolvent in the next 3 months, be unable to meet commitments pursuant to any EHA Work Program or Budget or be in breach of the material financial terms of any material contract, an Affirmative Decision of the Carnarvon Board is not required. The level of funding that avoids the such consequences may be approved by least two Directors (excluding the Local Director).

Each Quotaholder must pay the amount specified in the Cash Call by the due date specified.

Encumbrances

A party must not create an Encumbrance over its Quotaholding unless (i) the Encumbrance is over the whole (but not part) of its Quotaholding, (ii) the rights of the Encumbrances and any person claiming through or under any of them (each of whom is a "**Chargee**") must be expressly subject to The Buffalo Equity Holder's Agreement and the Development Loan, and (iii) before creating the Encumbrance the Quotaholder first gives the other Quotaholders at least 14 Days' notice of its intentions, gives particulars of its compliance these provisions and causes all of the proposed Chargees to execute and deliver to the other Quotaholders a deed of covenant. On receipt of a duly executed deed of covenant (in a form and content reasonably satisfactory to all Quotaholders) the Quotaholders must execute and deliver the deed of covenant to the Chargees. The Quotaholder creating the Encumbrance must at its cost obtain all authorisations in relation to the deed of covenant and duly register or lodge the same for recording in every jurisdiction and registry where registration, lodgement or recording is required or permitted to perfect the deed of covenant.

Abandonment

A decision to plug and abandon any well not producing, or not capable of producing, oil and/or gas shall require an Affirmative Decision. Carnarvon Petroleum Timor must prepare and implement an approved Decommissioning Plan and upon the commencement of commercial production to establish a Decommissioning Fund in accordance with Article 6 of the Buffalo PSC as summarised in paragraph 12.11 (*Buffalo PSC*) below.

Relinquishment and extensions

Any relinquishment of any part of the Buffalo PSC Contract Area requires an Affirmative Decision. No later than 180 Days before the commencement of an Extension Period, Carnarvon Petroleum Timor will prepare a program, being a recommended EHA Work Program, an expenditure estimate and a suggested area for statutory relinquishment purposes (the "**Extension Program**"). The Extension Program must be considered at the next Carnarvon Board meeting. Such Carnarvon Board meeting should be held no later than 120 Days before the commencement of an Extension Period.

Directors appointed by the Quotaholders shall endeavour to unanimously approve the Extension Program or a modified version of it. Failing such approval, Carnarvon Petroleum Timor must submit an application for the Extension Program that has the lowest proposed EHA Work Program and Budget cost.

Transfer of interest or rights

Transfer

"**Transfer**" means (i) any sale, assignment, transfer, licence, Encumbrance or other disposition or other transfer of legal or equitable ownership by a Quotaholder of any rights or obligations derived from its Quota but excluding any direct or indirect change in Control of a Quotaholder; (ii) any

assignment, transfer or other disposition by a Quotaholder in relation to any shareholder loan or any part of its shareholder loan or any benefit in respect of its shareholder loan; or (iii) any of its other rights, benefits or interests under the Buffalo Equity Holder's Agreement.

No Transfer is effective unless it satisfies the terms and conditions below. If a Transfer does not comply, then each other party is entitled to enforce specific performance of the terms of Clause 13 of the Buffalo Equity Holders Agreement, in addition to any other remedies (including damages) to which it may be entitled. Monetary damages alone are not an adequate remedy.

Each Quotaholder has the right to Transfer to an Affiliate, provided that:

(i) the Quotaholder undertakes to all other Quotaholders in writing to remain jointly and severally liable with the Affiliate and enters into a deed of adherence in a form reasonably acceptable to the other Quotaholders;

(ii) the transferring Quotaholder shall obtain all approvals and consents required under the Buffalo PSC for such Transfer;

(iii) if the Affiliate ceases to be an Affiliate it shall promptly reassign its Quota (and any other interested purported to be Transferred) to the transferring Quotaholder; and

(iv) any shareholder loan must be transferred to the Affiliate as part of such Transfer.

Except in the case of a Quotaholder transferring all of its Quota, or unless otherwise agreed, no Transfer shall be made which results in the transferor or the transferee holding a Quota of less than 5 per cent..

Pre-emption rights

The Buffalo Equity Holders Agreement contains pre-emption rights where a Quotaholder that wishes to Transfer all or part of its Quota other than to an Affiliate. Once the final terms and conditions of a Transfer have been fully negotiated with any other party or any third party in respect of such Transfer, the transferring party must give an offer notice to the other parties, that sets out the terms it is willing to sell its Quota to the other Quotaholders, including the consideration payable and any associated terms from the third party. No such Transfer may be proposed unless it also includes a transfer of any shareholder loan in place between the Quotaholder and its relevant Affiliate and all other rights, benefits and interests in the Buffalo Equity Holders Agreement.

The transferring party must nominate a Cash Value as the price it requires if the proposed Transfer is not a Cash Transfer, or involves other properties included in a wider transaction. The Cash Value proposed by the transferring party in its offer notice shall be deemed correct unless any other Quotaholder gives notice to the transferring party within 10 Days of receipt of the transferring party's offer notice stating it does not agree with the stated cash value and instead providing the Cash Value it believes correct together with supporting information. The transferring party and other Quotaholders may negotiate the Cash Value in the period of 15 Days and it may be referred to an independent expert if a resolution is not reached.

A "**Cash Value**" means the portion of the total monetary value (expressed in dollars) of the consideration being offered by the proposed transferee (including any cash, other assets and tax savings to the transferor from a non-cash deal) that reasonably should be allocated to the Quota subject to the proposed Transfer or Change in Control.

"**Cash Transfer**" means any Transfer where the sole consideration (other than the assumption of obligations relating to the transferred Quota) takes the form of cash, cash equivalents, promissory notes or retained interests (such as production payments) in the Quota being transferred.

If the Cash Value determination is referred to an independent expert and the value submitted by the transferring party is no more than 5 per cent. above the Cash Value determined by the expert, the transferring party's value shall be used as the Cash Value and the disagreeing party shall pay the expert's costs. The independent expert's value shall be used if the transferring party's submitted Cash Value is more than 5 per cent. of the Cash Value determined by the independent expert and the transferring party shall pay the expert's costs. Subject to the independent expert's value being final and binding, the Cash Value determined by the procedure shall be final and binding on all parties.

If the transferring party believes there may be some uncertainty involved in a non-cash transaction as to valuation of an asset, and wishes to accelerate the process, it may present a valuation by a mutually agreed expert in its offer notice, which value shall be final and binding.

(i) Each Quotaholder receiving the offer notice (which will include the proposed transferee if the transferee is a Quotaholder) has 30 Days to give an Acceptance Notice to the transferring party accepting its offer and purchase the transferring party's Quota on the terms set out in the offer notice (excluding any terms (other than for the payment of money)) which cannot be reasonably satisfied by the Quotaholder or which would require materially different performance if performed by the Quotaholder instead of the other party or third parties to which the transferring party would otherwise Transfer such Quota ("**Acceptance Notice**"). If a Quotaholder fails to give an Acceptance Notice, such Quotaholder shall be deemed to have rejected such offer.

(ii) If only one Quotaholder gives an Acceptance Notice then it has the right to acquire the Quota as is to be sold on the terms contained in the Acceptance Notice.

(iii) If prior to the expiry of the 30 Days more than one Quotaholder gives an Acceptance Notice, each of the Quotaholders giving an Acceptance Notice has the right to acquire a proportion of the transferring party's Quota to be sold, (such proportion being in the ratio that each accepting Quotaholders Quota bears to the Quotas of all accepting Quotaholders).

The transferring party and the accepting Quotaholder(s) shall enter into a binding sale and purchase agreement within 30 Days of the relevant Acceptance Notice. The transferring party will promptly seek all necessary Government approvals for such Transfer, and the transferring party and each accepting Quotaholder shall co-operate and take all actions reasonably required to complete such Transfer.

If no Quotaholder gives an Acceptance Notice, the transferring party shall be free to sell and transfer the Quota to a Party or a third party provided that:

(i) any sale and transfer may be a Cash Transfer or Cash Value transfer and on the same or no less favourable (to the transferor) terms than as set out in the offer notice; and

(ii) an appropriate and binding transfer agreement is concluded within 180 Days of the date on which the transferring party is free to sell to a party or a third party as herein provided. If such sale is not concluded, the transferring party shall not be permitted to sell to a party or third party and shall again be bound by these provisions to notify each Quotaholder of any intended sale and transfer of its Quota.

Change of Control

A Quotaholder subject to a Change in Control (a "**Change Party**") shall obtain any necessary Government approval with respect to the Change in Control and furnish any replacement security required by the Government on or before the applicable deadlines. A Change Party shall provide evidence (reasonably satisfactory to the other parties) that following the Change in Control such Change Party shall continue to have the financial capability to satisfy its payment obligations or otherwise provide satisfactory security.

Where a Quotaholder's Quota constitutes a Material Asset (being an asset having a value of greater than 85 per cent. of the total market value of the total assets of a Quotaholder) for that Quotaholder, the procedures set out in paragraph (*Pre-emption Rights*) above apply and references to Transfer shall be references to "**Change in Control**".

Otherwise, that Quotaholders agree that the following Changes of Control will not constitute a Transfer or Change of Control and will not be subject to the procedure above:

(i) where such Change of Control arises due to an initial public offering or quotation of any class of a Quotaholder's securities on any recognised stock exchange (including the AIM market of the London Stock Exchange plc or any successor markets);

(ii) where such Change of Control arises due to any transaction which results in a Quotaholder's securities being acquired by any entity (for the purpose of achieving an initial public listing for a Quotaholder) whose securities: (A) are publicly traded or listed on any recognised stock

exchange or (B) will be publicly traded or listed on any recognised stock exchange within 6 Months of the Change of Control occurring; and

(iii) where the voting securities of a Quotaholder (or its ultimate parent) are publicly traded on any recognised stock exchange and the ownership of such securities changes over time in the normal course of business as a result of a single transaction or a series of transactions.

If a transaction takes place in accordance with (ii)(b) and the relevant securities are not publicly traded or listed on any recognised stock exchange within 6 Months (or such longer period as the Parties may agree, acting reasonably) of the Change of Control then the provisions of paragraph above (*Pre-emption Rights*) above apply.

Financial and other reporting

Within 21 days after the end of each month, Carnarvon Petroleum Timor will give to each Director unaudited management accounts for that month. Within 28 days after the end of each quarter, it will give to each Director unaudited quarterly management accounts for that quarter. After the end of each Financial Year for a Quotaholder, Carnarvon Petroleum Timor will give to that Quotaholder information reasonably required or requested by that Quotaholder in order for that Quotaholder to prepare financial statements and other information required by law for that Financial Year. Carnarvon Petroleum Timor must, at the request of a Quotaholder, give to the Quotaholder duplicates of any report or information previously provided to the requesting Quotaholder. The requesting Quotaholder must pay any costs in giving any such duplicate to that Quotaholder.

Force Majeure

The Buffalo Equity Holders Agreement includes provisions in relation to Force Majeure which enables a party to claim Force Majeure following which the obligations of such party (other than obligations to pay any amounts due or to furnish security) shall be suspended during the period of Force Majeure and for such reasonable period thereafter as may be necessary for the party to mitigate the effects of Force Majeure or put itself in the same position that it occupied prior to the Force Majeure.

General

Warranties

Each party warrants under the Buffalo Equity Holders Agreement that:

(i) it nor its Affiliates has made or will make any offer, payment promise to pay or authorisation of payment to an official, employee of the Government or to or for the use or benefit of any political party, official or candidate unless such is authorised by the written laws or regulations of Australia;

(ii) it nor its Affiliates has made or will make a payment described in (i) which it or it Affiliate has a firm belief or is aware that there is a high probability it would be spent on such uses described in (i) above; and

(iii) it will respond promptly and in reasonable detail to notices from other parties or auditors as to the above stated warranty and representations.

Conflicts of interest

Carnarvon Petroleum Timor undertakes that it shall avoid any conflict of interest between its own interests (including the interests of Affiliates) and the interests of the other parties in dealing with suppliers, customers and all other organisations or individuals doing or seeking to do business with the parties. This provisions does not apply to its performance which is in accordance with the local preference laws or policies of the Government or its acquisition of products or services from an Affiliate, or the sale to an Affiliate.

Consequential loss

Notwithstanding any other provision of the Buffalo Equity Holders Agreement, no Quotaholder is liable to any other Quotaholder for Consequential Loss suffered by the other Quotaholder in connection with or arising out of the Buffalo Equity Holders Agreement, howsoever arising, whether under contract, tort (including negligence), strict liability or otherwise.

Applicable law and Dispute Resolution

The Buffalo Equity Holders Agreement is governed by, construed, interpreted and applied in accordance with the laws of Western Australia. Each party submits unconditionally to the exclusive jurisdiction of the Courts of the State of Western Australia.

The Buffalo Equity Holders Agreement contains escalating dispute resolution provisions whereby a party may commence the dispute resolution process by providing the other parties with a notice of the dispute, with such dispute to be resolved within 30 days after the date of receipt of the notice, by an negotiation between individuals who have the authority to negotiate a settlement of a dispute for a party. Only after the meeting may a party initiate court proceedings.

Definitions

The capitalised terms used in this summary shall have the respective meanings given below:

- "**Accounting Procedures**" means the rules, provisions and conditions set forth and contained in Schedule A to the Buffalo Equity Holders Agreement.
- "**Additional Development Plan**" means a plan for the development required to achieve the production of Petroleum from a discovery (other than the Buffalo Field) as contemplated in the Buffalo Equity Holders Agreement.
- **"Affiliate**" means a body corporate which is a related body corporate of the relevant party. For this purpose "related body corporate" has the meaning given to that term in Section 9 of the Corporations Act.
- "**Affiliate Services Agreement**" means the agreement between CVN and Carnarvon Petroleum Timor dated 11 March 2020 in relation to the provision of professional, technical and administrative services.
- "**Consequential Loss**" means:
  - (i) in the case of loss or damage resulting from a breach of contract – indirect, remote or unforeseeable loss including:
    - (A) loss or damage resulting from reservoir or formation damage;
    - (B) loss or damage resulting from inability to produce, use or dispose of product;
    - (C) loss or deferment of income;
    - (D) loss of profit;
    - (E) business interruption;
    - (F) loss or denial of business opportunity;
    - (G) loss of use;
    - (H) loss of access to markets;
    - (I) loss of goodwill;
    - (J) loss of business reputation, future reputation or publicity;
    - (K) damage to credit rating;
    - (L) punitive or special damages,
  - (ii) or any other or similar indirect, remote or unforeseeable loss occasioned by that breach, whether or not in the reasonable contemplation of the Quotaholders at the time of execution of the Buffalo Equity Holders Agreement as being a probably result of the relevant breach; and
  - (iii) in the case of loss or damage arising from any tort (including negligence) or breach of statutory duty – indirect, remote or unforeseeable loss and, in the case of pure economic loss, loss not flowing directly from the commission of the tort or breach of statutory duty.
- "**Corporations Act**" the *Corporations Act 2001* (Cth).

- "**Default Interest Rate**" means interest compounded on a monthly basis at a rate of seven (7) per cent. per annum, applicable on the first business day prior to the due date of payment, and thereafter on the first business day of each succeeding month. If the aforesaid is contrary to any applicable law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law.

- **"Deepening**" means an operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the deepest Zone proposed in the associated AFE, whichever is the deeper. "**Deepen**" and all other derivatives shall be construed accordingly.

- "**EHA Completion**" means an operation intended to complete a well as a producer of Petroleum in one or more Zones, including, but not limited to, the setting of production casing, perforating, simulating the well and production Testing conducted in such operation. "**EHA Complete**" and other derivatives shall be construed accordingly.

- "**Exploration Well**" means any well whose purpose at the time of commencement of drilling is to explore for an accumulation of Petroleum whose existence was at that time unproven by drilling.

- "**Fair Value**" means in relation to a Quotaholder's Quotaholding, the fair market value, in US$, of the Quotaholding, based on the amount in cash that a willing but not anxious buyer would be prepared to pay and a willing but not anxious seller unrelated to the buyer would be prepared to accept.

- "**Joint Account**" means the accounts maintained by Carnarvon Petroleum Timor for Joint Operations.

- "**Joint Property**" means, at any point in time, all wells, facilities, equipment, materials, information, funds and the property held for use in Joint Operations.

- "**Joint Operation**" means those operations and activities carried out by Operator in the Buffalo Contract Area.

- **"Operator**" means an entity appointed as such in accordance with the Buffalo Equity Holders Agreement.

- **"Petroleum**" has the meaning given in the Treaty.

- **"Sidetracking**" means the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or to drill around junk in the hole or to overcome other mechanical difficulties. "**Sidetrack**" and other derivatives shall be construed accordingly.

- **"Successful**" means in respect of the B-10 Appraisal Well, the encountering of live hydrocarbon bearing sands in the Buffalo Field.

- **"Testing**" means an operation intended to evaluate the capacity of a Zone to produce Petroleum. "**Test**" and other derivatives shall be construed accordingly.

- "**Unanimous Approval**" means the written approval of all Directors entitled to give or withhold such approval under the Buffalo Equity Holders Agreement excluding the Local Director.

- **"Zone**" means a stratum of earth containing or thought to contain an accumulation of Petroleum separately producible from any other accumulation of Petroleum.

13.16 Buffalo PSC

The capitalised terms used in this summary which are not defined in the Definitions and Abbreviation section of this document shall have the respective meanings as set out under Definitions below.

Parties

Autoridade Nacional do Petróleo e Minerais Timor-Leste ("**ANPM**"), acting on behalf of the Ministry of Petroleum and Minerals (the "**Ministry**") and Carnarvon Petroleum Timor, as Contractor, entered into the Buffalo PSC on 28 August 2019.

Background

Prior to the entry into force of the Treaty between the Democratic Republic of Timor-Leste and Australia which established the respective Maritime Boundaries in the Timor Sea, the area known as the Buffalo Field was included in an area of the continental shelf under the jurisdiction of Australia.

On 27 May 2016, the joint authority for the petroleum offshore of the Australian Commonwealth - Western Australia issued the research authorization number WA-523-P in favour of Carnarvon Petroleum Limited, covering the Buffalo Field area.

The definitive delimitation of the maritime boundaries between the two States had implications for the ownership, jurisdiction and management of petroleum resources in a portion of the Buffalo Field, which transitioned into the exclusive jurisdiction of Timor-Leste.

Pursuant to Article 4 of Annex D of the Treaty, the Parties agreed that, for the portion of the Australian exploration authorization WA-523-P the security of the title and any other rights held by the holder of the exploration authorization should be preserved under conditions equivalent to those in force under Australian domestic law and as decided by agreement between the Parties and the authorization holder. Also, according to the same provision, a Production Sharing Contract would be entered into with the holder to replace the Australian research authorization WA-523-P in relation to that portion.

Decree Law – Brief Summary

The Buffalo Decree-Law

Decree-Law 26/2019 of 27 August 2019 establishes the special legal regime of the Petroleum operations performed in the Buffalo field, including the terms and conditions for the transition of the Australian research authorization into Timor-Leste's exclusive jurisdiction. It provides that the Contractor's rights must be preserved in conditions equivalent to those of the domestic Australian law.

The OPO Decree-Law

Decree-Law 32/2016 of 17 August 2016 regulates the petroleum operations in respect of offshore petroleum resources pursuant to Article 31 of the Petroleum Activities Law.

It applies to all petroleum operations with respect to offshore Petroleum resources conducted under the Petroleum Activities Law including transportation and storage of crude oil and natural gas with direct impact on any reservoirs. All petroleum operations shall be carried out in compliance with this Decree-Law, the Petroleum Activities Law and other applicable law in Timor-Leste as varied, amended, modified or replaced from time to time.

Scope and term (Article 2)

Scope

Under the Buffalo PSC, Carnarvon Petroleum Timor (i) has the exclusive right to carry out Petroleum Operations in the Buffalo PSC Contract Area at its sole cost, risk, and expense, (ii) needs to provide all personnel, financial and technical resources, and (iii) must share Petroleum produced from the Buffalo PSC Contract Area in accordance with the terms of the Buffalo PSC.

Petroleum Operations are limited to being carried out within the Buffalo PSC Contract Area only and the Buffalo PSC does not authorise Carnarvon Petroleum Timor to process Petroleum beyond the Field Export Point unless this is done with the consent of the Ministry (such consent is not to be unreasonably withheld) or expenditure related to such processing will not be cost recoverable.

Effective date and term

The Buffalo PSC commences on the Effective Date (which is determined under Article 3 of the Buffalo Decree-Law). The Buffalo PSC is subdivided into Exploration Period and Development and Production Periods. This structure and the term of each such Period as well as the overall term of the Buffalo PSC are set out in Article 5 of the Buffalo Decree-Law.

If Carnarvon Petroleum Timor has made a Discovery (as defined in the OPO Decree-Law), it has the option to extend the term of the Buffalo PSC in respect of the development of the relevant Development Area for such periods as stipulated under the OPO Decree-Law, provided it notifies the Ministry at least 1 year prior to the expiry of the Buffalo PSC.

The Buffalo PSC terminates on the first to occur of:

(i) all of the Buffalo PSC Contract Area being relinquished pursuant to Article 3 of the Buffalo PSC as summarised in article 3(*Relinquishment of Areas)* below;

(ii) the parties mutually agreeing in writing to terminate the Buffalo PSC;

(iii) the expiry of the exploration period as determined in Article 5(a) of the Buffalo Decree-Law;

(b) the expiry of the Development and Production period as determined in Article 5(b) of the Buffalo Decree-Law;

(c) termination pursuant to Article 2.4 of the Buffalo PSC as summarised in the next paragraph (*Grounds for Termination*) below; or

(d) as otherwise foreseen in the OPO Decree-Law;

Grounds for termination

The Ministry has the right to terminate the Buffalo PSC by notice in writing if:

(i) Carnarvon Petroleum Timor is affected by an insolvency event; or

(ii) Carnarvon Petroleum Timor:

(A) has committed a material breach of any agreed plan, programme, approval condition or term that the Buffalo PSC is subject to;

(i) has not complied with Applicable Law in Timor-Leste;

(ii) has provided information to the Ministry in relation to the Buffalo PSC in order to obtain the Buffalo PSC which it knew, or ought reasonable to have known, or believed to be false; or

(iii) has not paid any amount payable by it under the Applicable Law in Timor-Leste or under the Buffalo PSC within a 3-month period after the day on which the amount became due and payable.

The Ministry may not terminate the Buffalo PSC for any of the grounds set out in (i) and (ii) above or for Carnarvon Petroleum Timor's continued failure to fulfil its obligations under the Minimum Exploration Work Requirements (see article 4(*Exploration Period*) below), unless (a) it has served written notice on Carnarvon Petroleum Timor at least thirty days before its intention to terminate, (b) the written notice has specified a date on or before which Carnarvon Petroleum Timor may submit in writing any information it wishes to be considered by the Ministry in this regard, and(c) the Ministry has then taken into account any such information provided and any action taken by Carnarvon Petroleum Timor or other parties to remove that ground or to prevent reoccurrence of similar grounds.

If the Contractor comprises more than one entity and any of the above grounds arise in respect of one Contractor party only, the Ministry may under certain conditions terminate the Buffalo PSC only in respect of that affected Contractor party.

Other Resources

The Buffalo PSC applies exclusively to Petroleum and Carnarvon Petroleum Timor is prohibited from using, making good use of, or disposing of any natural resources other than Petroleum that may exist in the Buffalo PSC Contract Area. Carnarvon Petroleum Timor has to notify the Ministry in writing if it finds any other natural resources in the Buffalo PSC Contract Area within twenty-four

hours of their discovery. The notice needs to be accompanied by all relevant available data and information in respect of such a discovery. In such case, Carnarvon Petroleum Timor must comply with the Ministry's instructions (or the instructions of other competent authorities) and allow the performance of the relevant measures. While waiting for such instructions, Carnarvon Petroleum Timor shall refrain from taking any actions which could put at risk or in any way impair the measures to be taken by the Ministry or other competent authorities but need to interrupt its Petroleum Operations, unless those operations put at risk the discovered natural resources.

However, if Petroleum Operations are interrupted under these circumstances, the Ministry will compute and recognise the term of the interruption in extending the term of the relevant Buffalo PSC Period or that of the Buffalo PSC generally in accordance with its provisions or the applicable laws of Timor-Leste.

Surviving Obligations

Expiration or termination of the Buffalo PSC is without prejudice to the parties' rights and obligations set out in the Applicable Law in Timor-Leste and the rights and obligations accrued under the Buffalo PSC prior to such termination.

The obligations to Decommission and prevent any cause of pollution (and to clean up such pollution) by the Facilities are continuing obligations and survive the expiration or termination of the Buffalo PSC. Accordingly, any issues that arise out of or in connection with such Facilities after the cessation of Petroleum Operations will remain the responsibility of the Contractor. These obligations may only cease if agreed in accordance with the Applicable Law in Timor-Leste. but will cease upon handover to TIMOR GAP – Timor Gás & Petróleo, E.P of the Development Area and Facilities and other property in accordance with the provisions of the Buffalo PSC (see article 13 (*Title to Facilities*) below). The obligation to transfer any surplus in the Decommissioning Fund to the Ministry is a continuing obligation and survives the expiration or prior termination of the Buffalo PSC. See article 6 (*Decommissioning)* below.

Relinquishment of areas (Article 3)

Carnarvon Petroleum Timor is to relinquish the Buffalo PSC Contract Area in accordance with the OPO Decree-Law and the Buffalo Decree-Law. Carnarvon Petroleum Timor is taken to have applied for, and the Ministry is taken to have approved, the entry by Carnarvon Petroleum Timor into the second optional Exploration Period of 2 years duration in respect of the Buffalo PSC Contract Area.

The Buffalo PSC will terminate in respect of a part of the Buffalo PSC Contract Area which is relinquished in accordance with these provisions, subject to the surviving obligations (see previous section) continuing to apply in cases of relinquishment of all or part of the Buffalo PSC Contract Area.

Exploration Period (Article 4)

Work Programme and Budgets

Carnarvon Petroleum Timor shall carry out Petroleum Operations in accordance with Work Programmes and Budgets submitted to and approved by the Ministry in accordance with the OPO Decree-Law and the Buffalo Decree Law.

Initially, Carnarvon Petroleum Timor is to continue the exploration work programme that was approved in connection with the Former Permit for years 1-3 of that Former Permit.

The first proposal for a Work Programme and Budget to be carried out under the Buffalo PSC was to pertain to the period from the Effective Date until 31 December 2019.

The Minimum Exploration Work Requirements (see the next following paragraph below) for a Contract Year may be included in a Work Programme and Budget for a Calendar Year which first ends after the start of the Contract Year or the end of the following Calendar Year, provided that the Minimum Exploration Work Requirements for a period are satisfied by the end of the relevant Period.

Minimum Exploration Work Requirements

Article 4.3 of the Buffalo PSC sets out Minimum Exploration Work Requirements for years 1-3 of the Former Permit which Carnarvon Petroleum Timor was to complete on or before 26 May 2019, being the end of the Initial Period. Contract Years 1-3 comprising the Initial Period ran from 27 May 2016 to 26 May 2019.

During the Second Period, Carnarvon Petroleum Timor will carry out the following Minimum Exploration Work Requirements: Geographical and geophysical studies in Contract Year 4 (which ended 26 May 2020) and Well Planning and Long Lead Studies/EP in Contract Year 5 (ending 26 May 2022).

During the Third Period, being Contract Year 6 (ending 26 May 2023) the Minimum Exploration Work Requirement is to drill 1 well.

The work programme for each year only becomes guaranteed if the Buffalo PSC is not terminated before the commencement of that year.

Performance of Exploration

Carnarvon Petroleum Timor has the right to proceed to any subsequent Period only if it completes the Minimum Exploration Work Requirements within the required timeframe for each Period of Exploration (to the satisfaction of the Ministry and upon receipt of acceptable proof).

The following work does not qualify as fulfilling the Minimum Exploration Work Requirements:

(a) work carried out after the termination of the Period or any extension thereto;

(b) work carried out that is not related to the Buffalo PSC Contract Area;

(c) work which is not carried out in accordance with an agreed Work Programme;

(d) appraisal wells, seismic surveys or any other Petroleum Operations which are carried our as part of an Appraisal or any other work carried our as part of the Development of a Commercial Discovery; and

(e) work that does not qualify as Petroleum Operations.

No work in a Development Area will be regarded as Exploration for the purposes of the provisions of this section (Article 4 of the Buffalo PSC), the provisions on cost recovery (Article 8 of the Buffalo PSC – see section below) and the Accounting Procedure (Annex C of the Buffalo PSC) unless it has the consent of the Ministry and is in respect of a formation deeper than the Field concerned and in which no Discovery has been made.

Carnarvon Petroleum Timor has the obligation to drill any well that is required in a Period of Exploration to a depth necessary to ensure penetration and to allow for the prospective zone to be tested, even if it requires drilling beyond the minimum depth requirement set out in the Minimum Exploration Work Requirements, unless otherwise agreed and approved by the Ministry.

Subject to the prior approval by the Ministry (such approval not to be unreasonably withheld), additional line kilometres of seismic data and additional wells or further drilling beyond the minimum required in each Period, may be carried forward to fulfil the minimum obligations under the Minimum Exploration Work Requirements for a subsequent period.

Carnarvon Petroleum Timor may discontinue a Drilling Operation if in the course of drilling a Well it reasonably determines, with the consent of the Ministry (not to be unreasonably withheld), that further drilling is technically impossible or imprudent because (i) further drilling would present an obvious danger e.g. due to the presence of abnormal pressure or excessive losses of drilling mud, (ii) impenetrable formations are encountered, or (iii) Petroleum-bearing formations are encountered which require protecting, thereby preventing planned depths from being reached.

Consequences of non-performance

If Carnarvon Petroleum Timor does not fulfil the Minimum Exploration Work Requirements for any Period:

(iii) the Ministry may extend the period of time in which Carnarvon Petroleum Timor can carry out the Minimum Exploration Work Requirements for that Period by up to 6 months, provided that Carnarvon Petroleum Timor has requested an extension at least 30 days prior to the expiration of the Period and (i) the reasons stated in the request are accepted by the Ministry, (ii) no extension has be previously granted for that Period, and (iii) the guarantees provided are continuously maintained throughout the Period(s); or

(iv) the Ministry may vary the Minimum Exploration Work Requirement for that Period, to replace it with an equivalent work activity that ensures that the objective of the original Minimum Exploration Work Requirements is met, provided that Carnarvon Petroleum Timor has requested a variation at least 30 days prior to the expiration of the Period and (i) the reasons stated in the request are accepted by the Ministry, (ii) no variation has be previously granted for that Period and (iii) the guarantees provided are continuously maintained throughout the Period(s),

If, despite the foregoing provisions, Carnarvon Petroleum Timor continues in its failure to fulfil the Minimum Exploration Work Requirements, the Ministry may terminate the Buffalo PSC unless Carnarvon Petroleum Timor elects to pay compensation corresponding to the amount of all the unfulfilled work activities under the Minimum Exploration Work Requirements, as determined by the Ministry, and commits to entering into the next Period.

Emergency and Other Expenditures outside Work Programmes and Budgets

Carnarvon Petroleum Timor may over-expend by 10 per cent. or less on any line item in an approved Work Programme and Budget for a Contract Year in the Exploration Period without further Ministry approval. The total of all over expenditure for that Contract Year must not exceed 10 per cent. of the total expenditure in that Work Programme and Budget. If Carnarvon Petroleum Timor anticipates that this limit will be exceeded, it needs to promptly inform the Ministry and seek an amendment to the appropriate Work Programme and Budget. The Ministry shall consider whether such increases in expenditure are necessary to complete the Work Programme, provided that such increase is not a result of any failure of Carnarvon Petroleum Timor to fulfil its obligations under the Buffalo PSC.

In case of an emergency, Carnarvon Petroleum Timor has to take all necessary and proper steps to protect life, health, the environment and property and inform the Ministry of the details of such emergency and the actions it has taken and intends to take in accordance with the Applicable Law in Timor-Leste and in any case as soon as possible.

Discovery and Appraisal

In the case of a Discovery, Carnarvon Petroleum Timor must comply with the rules and procedures for Discovery, Appraisal and, if applicable, declaration of Commercial Discovery as stipulated in the Applicable Law in Timor-Leste.

Minimum Exploration Work Requirements in the Extension Periods

If the Exploration Period is subject to an Extension under Article 5(b) of the Buffalo Decree-Law, the Minimum Exploration Work Requirements which will apply will be as agreed between the Ministry and Carnarvon Petroleum Timor acting reasonably but will not be materially more onerous than those that applied (in aggregate) in respect of the initial Period, Second Period and Third Period.

Development and Production Period (Article 5)

Development Plan

Carnarvon Petroleum Timor has the right to commence Development once the Development Plan is approved by the Ministry. The Development Plan must be prepared and submitted in accordance with the Applicable Law in Timor-Leste. Recognising that Carnarvon Petroleum Timor may need to arrange bank finance to implement the Development Plan the Ministry agrees to negotiate with relevant banks the terms of such documentation so as to include customary terms, and otherwise (as may be reasonably required by them) to fund the Development Plan.

Development Work Programmes and Budgets

Carnarvon Petroleum Timor shall submit a Development Work Programme and Budget for each Development Area for each Calendar Year to the Ministry and may submit, for Ministerial approval, amendments to it. A Development Work Programme for each Calendar Year shall be substantially in accordance with the Development Plan for the Development Area. Any material differences must be described and explained in the Development Work Programme and Budget.

Emergency and other expenditures outside the Work Programme and Budgets

Carnarvon Petroleum Timor may over-expend by 10 per cent. or less on any line item in an approved Work Programme and Budget for a Contract Year in the Development and Production Period without further Ministry approval. The total of all over expenditure under that Work Programme and Budget for that Contract Year must not exceed 10 per cent. of the total expenditure in that Work Programme and Budget. If Carnarvon Petroleum Timor anticipates that this limit will be exceeded, it needs to promptly inform the Ministry and seek an amendment to the appropriate Work Programme and Budget. The Ministry shall consider whether such increases in expenditure are necessary to complete the Work Programme, provided that such increase is not a result of any failure of Carnarvon Petroleum Timor to fulfil its obligations under the Buffalo PSC.

The emergency provisions that apply during the Exploration Period (see article 4 above) also apply to the Development and Production Period.

Approved contracts

Carnarvon Petroleum Timor may not sell or otherwise dispose of Natural Gas from the Buffalo PSC Contract Area other than pursuant to an Approved Contract or as may otherwise be provided in the Development Plan or in the Buffalo PSC. Carnarvon Petroleum Timor may not use any Facilities downstream of the Field Export Point for transporting, processing, treating, liquefying, storing, handling or delivering Petroleum other than under the terms of an Approved Contract. Amendment, waiver or failure to enforce any provision of an Approved Contract requires the prior approval of the Ministry.

Decommissioning (Article 6)

Carnarvon Petroleum Timor must prepare and implement a Decommission Plan in accordance with the OPO Decree-Law and Good Oil Field Practice.

Upon the commencement of Commercial Production, Carnarvon Petroleum Timor has to establish a Decommissioning Fund in accordance with the Applicable Law in Timor-Leste. This will be a conservative interest-bearing escrow account, yielding a maximum of 1 percentage point margin above the annual yield on long-term (30-year) United States Treasury Bonds. The account must be set up in the name of, and at a financial institution approved by, the Ministry. Interest accruing under this account is neither a Recoverable Cost nor tax deductible and shall be considered a Miscellaneous Receipt under the Accounting Procedure. The annual Decommissioning cost provision is calculated based on the total estimated abandonment cost. The calculated annual Decommissioning cost provision shall be charged as a Recoverable Cost beginning in the Calendar Year following the Calendar Year in which Commercial Production first occurred.

The amount of annual Decommissioning cost provision in each Calendar Year is calculated as follows:

(a) calculation of the total Decommissioning cost at the expected date of Decommissioning;

(b) deduction of calculated annual Decommissioning costs from such total Decommissioning costs of which the additions made into the Decommissioning Cost Reserve, and taken as Recoverable Costs, in all previous Calendar Years, together with interest on such Recoverable Costs (calculated to the approved date of Decommissioning at the actual forecast rate of Uplift (whichever is applicable);

(c) the residual Decommissioning costs, resulting from the calculations above shall then be discounted to the Calendar Year in question at the forecast rate of Uplift for each Calendar Year remaining until the Calendar Year of Decommissioning;

(d) the discounted total amount of residual Decommissioning cost shall then be divided by the total number of Calendar Years remaining prior to the Calendar Year of Decommissioning itself, including the Calendar Year in question;

(e) the resulting amount shall be the addition that needs to be made to the Decommissioning Cost Reserve in the Calendar Year in question;

(f) the intention of this calculation is stated to be that the total accumulated provision allowed, including interest calculated to the Calendar Year of Decommissioning at the rate of Uplift will be equal to the total Decommissioning costs;

(g) if the amount in (v) above is a negative amount, then such amount shall be treated as a reduction of Recoverable Costs for the Calendar Year in question.

Carnarvon Petroleum Timor shall ensure that sufficient funds exist to carry out Decommissioning in compliance with Good Oil Field Practice and other international standards deemed acceptable by the Ministry and consistent with the OPO Decree-Law.

If the actual Decommissioning cost is less than the accumulated Decommissioning Fund when the Decommissioning is completed the surplus will be treated as a Profit Petroleum and transferred to the Ministry in accordance with the OPO Decree-Law.

Conduct of petroleum operations, local content and natural gas use (Article 7)

Proper and Workmanlike Manner

Carnarvon Petroleum Timor shall procure that Petroleum Operations are carried out diligently and in accordance with Applicable Law in Timor-Leste, the Buffalo PSC and Good Oil Field Practice. In particular, Carnarvon Petroleum Timor shall procure to:

(a) protect the environment and potentially affected local communities based on sustainable development principles and ensure that Petroleum Operations result in minimum ecological damage, destruction or detrimental social impact;

(b) ensure the safety, health and welfare of persons in or affected by Petroleum Operations and will comply with the health, safety and environmental proposal in Annex D of the Buffalo PSC;

(c) maintain the Buffalo PSC Contract Area and all Facilities and other property and works in good and safe condition and repair;

(d) on the earlier of (i) the termination of the Buffalo PSC and (ii) when no longer required for Petroleum Operations, and in either case subject to the Decommissioning Plan, undertake Decommissioning of the Facilities, property and other work and clean up the Buffalo PSC Contract Area and make it good and safe, and protect and restore the environment;

    (i) control the flow and prevent the waste or escape of Petroleum, water or any product used in or derived by processing Petroleum;

    (ii) prevent the escape of any mixture of water or drilling fluid with Petroleum;

    (iii) prevent damage to Petroleum bearing strata in or outside the Buffalo PSC Contract Area;

    (iv) except with the prior consent of the Ministry, keep separate each Reservoir discovered in the Buffalo PSC Contract Area and those sources of water discovered in the Buffalo PSC Contract Area as directed by the Ministry;

    (v) prevent water or any matter entering any Reservoir through wells in the Buffalo PSC Contract Area except when required by and in accordance with the Development Plan and Good Oil Field Practice;

    (vi) minimise interference with pre-existing rights and activities, including the rights of potentially affected local communities, navigation, fishing or other lawful offshore activities; and

    (vii) remedy damage caused to the environment in a timely fashion.

Carnarvon Petroleum Timor shall clean up pollution resulting from Petroleum Operations to the satisfaction of the Ministry and other relevant authorities and pay for such clean-up costs.

Access to Buffalo PSC Contract Area

Carnarvon Petroleum Timor may leave and enter the Buffalo PSC Contract Area at any time for the purpose of the Petroleum Operations. Carnarvon Petroleum Timor shall ensure that persons, equipment and goods do not enter the Buffalo PSC Contract Area without complying with the entry requirements to Timor-Leste within the applicable laws and all relevant approvals.

Health, Safety and the Environment

Carnarvon Petroleum Timor shall safeguard a high level of health and safety in Petroleum Operations and shall implement measures to ensure the hygiene, health and safety of relevant personnel as required by the Applicable Law in Timor-Leste. Carnarvon Petroleum Timor shall ensure the protection of the environment in Petroleum Operations and shall establish measures to prevent, reduce and mitigate damage to the environment.

Local Content

The Local Content Proposal that applies in respect of the Buffalo PSC (the "**Buffalo Local Content Proposal**") is set out in Annex D2 of the Buffalo PSC and can be amended in accordance with Article 7.4 of the Buffalo PSC.

Carnarvon Petroleum Timor shall comply with the OPO Decree-Law when developing the Buffalo Local Content Plan in respect of any Contract Year. If it reasonably considers that the Buffalo Local Consent Proposal needs to be varied, Carnarvon Petroleum Timor will submit its reasons to the Ministry with a revised proposal that deals with the training and employment of and the acquisition of foods and services from Timor-Leste nationals ("**Revised Buffalo Local Content Proposal**").

The Ministry will notify Carnarvon Petroleum Timor of whether it approves the Revised Buffalo Local Content Proposal within 30 Days of receipt of the proposal. If the Ministry does not approve a Revised Buffalo Local Content Proposal, it must notify Carnarvon Petroleum Timor of the reason for the decision and the measures required for the Revised Buffalo Local Content Proposal to be approved. Carnarvon Petroleum Timor shall then amend the Revised Buffalo Local Content Proposal accordingly and resubmit it to the Ministry for approval. The Ministry shall notify Carnarvon Petroleum Timor of its decision within 30 Days of its receipt.

Natural Gas Use

Carnarvon Petroleum Timor shall use with priority any Natural Gas in the Buffalo PSC Contract Area for the purpose of increasing the recovery of Petroleum, where Good Oil Field Practice indicates that it is in fact required and technically and commercially feasible.

Carnarvon Petroleum Timor may use any Natural Gas in the Buffalo PSC Contract Area for Petroleum Operations free of charge.

Carnarvon Petroleum Timor has the right to export any Marketable Natural Gas produced from the Contract Area and treated as LNG. Such volumes consist of (i) Carnarvon Petroleum Timor's Cost Recovery Petroleum and (ii) Carnarvon Petroleum Timor' Profit Petroleum.

If Carnarvon Petroleum Timor intends to export the Marketable Natural Gas as LNG, any LNG facilities which it constructs and operates shall (i) be constructed and operated on the basis of a separate LNG export agreement on acceptable commercial terms between the Ministry and Carnarvon Petroleum Timor, and (ii) made available to third-parties (subject to capacity availability and agreeable commercial terms).

Carnarvon Petroleum Timor shall not flare Natural Gas except with the consent of the Ministry or in an emergency (immediately following which it will report the details of the emergency to the Ministry). The Ministry may approve Natural Gas flaring or venting upon an application submitted in accordance with Article 45.5 of the OPO Decree-Law, if no such alternative solutions are feasible.

Recoverable Costs (Article 8)

Carnarvon Petroleum Timor's accounts shall be prepared and maintained in accordance with Annex C of the Buffalo PSC.

Recoverable Costs are limited to costs and expenses incurred by the Carnarvon Petroleum Timor in carrying out Petroleum Operations, including annual decommissioning cost provisions which are deposited into the Decommissioning Fund and properly charged to Carnarvon Petroleum Timor under the relevant joint operating agreement (where the Contractor comprises two or more parties), unless disallowed under any other provisions of the Buffalo PSC. The Ministry has a right to disallow any 'Ineligible Cost' upon receiving evidence of thereof.

Carnarvon Petroleum Timor shall recover costs and expenses in respect of Petroleum Operations to the extent of and out of 100 per cent. of all Available Crude Oil and/or all Available Natural Gas from the Buffalo PSC Contract Area.

Cost Recovery in respect of Title to Facilities passed to TIMOR GAP Timor Gás & Petróleo, E.P

Costs incurred for Facilities bought by Carnarvon Petroleum Timor for Petroleum Operations are cost recoverable, regardless of whether the ownership in such Facilities are passed by Carnarvon Petroleum Timor to TIMOR GAP Timor Gás & Petróleo, E.P in accordance with Applicable Law in Timor-Leste. TIMOR GAP Timor Gás & Petróleo, E.P is not entitled to book nor depreciate any costs in relation to Facilities of which title has so passed, except where it elects to continue the operation of the Development Area beyond the term of the Buffalo PSC.

Recoverable Costs

To determine the sharing of Petroleum, Exploration Costs, Appraisal Costs and Capital Costs incurred after the Effective Date are recovered first. Any remaining revenue will then be used to recover Operating Costs for the Calendar Year.

Subject to Annex C and in any Calendar Year, Recoverable Costs are the sum of the following (to the extent not Ineligible Costs):

(e) the sum of Exploration Costs, Appraisal Costs, Capital Costs and Operating Costs.

(f) Recoverable Costs in the previous Calendar Year;

  (i) Decommissioning cost provision (as calculated in accordance with article 6 (Decommissioning) above allowable in that Calendar Year and without taking into account the interest accruing to the Decommissioning Fund;

  (ii) Recoverable Costs in the previous Calendar Year to the extent in excess of the value of Carnarvon Petroleum Timor's share of Petroleum in that year;

  (iii) a quarterly amount equal to the product of the rate of Uplift and the quarterly balance of outstanding Recoverable Costs; and

less Miscellaneous Receipts.

Sharing of Petroleum (Article 9)

Determination of Shares

In each Contract Year:

(g) The Ministry shall be entitled to the first share in Available Petroleum at the Field Export Point (that is, before cost recovery) comprising 5 per cent.

  Carnarvon Petroleum Timor is entitled to the remaining gross income, i.e. the Available Petroleum less the Ministry's 5 per cent. share, but no more than the value that is equal to the Recoverable Cost for the Calendar Year ("**Cost Recovery Petroleum**").

  The Ministry's share of Profit Petroleum, being the remaining Available Petroleum including any portion of Cost Recovery that is not required to cover costs ("**Profit Petroleum**") for a Calendar Month for the Buffalo PSC Contract Area is 35 per cent. and Carnarvon Petroleum Timor's share of Profit Petroleum shall be the remaining portion (i.e. 65 per cent.).

Options of the Ministry

Carnarvon Petroleum Timor is to take, receive and dispose of the Ministry's entire share of Petroleum, on terms no less favourable to the Ministry than it received for its own share and in common stream with its own share.

The Ministry may choose to separately dispose of its share of Petroleum only (unless otherwise agreed by the parties), if (i) it is in respect of all or the same percentage of all Timor-Leste's shares of Crude Oil for and throughout each Calendar Year, on at least 90 Days' prior written notice to Carnarvon Petroleum Timor before the start of the relevant Calendar Year and (ii) it is in respect of Timor-Leste's share of Natural Gas, in connection with the Ministry's approval of the Development Plan.

Lifting

Carnarvon Petroleum Timor may lift, dispose of its Petroleum share and retain the proceeds, subject to the other terms of the Buffalo PSC. Upon the Ministry's request and subject to applicable confidentiality obligations, Carnarvon Petroleum Timor will provide the Ministry with relevant marketing information and sale purchase contracts. Carnarvon Petroleum Timor and the Ministry will make such arrangements between them as are necessary, in accordance with Good OIL Field Practice, for the separate lifting of their respective shares in Petroleum.

Title and risk

Carnarvon Petroleum Timor bears the risk in loss or damage of the Petroleum until it is delivered at the Field Export Point. Petroleum lost after it is recovered at the well-head, and before it is delivered at the Field Export Point is to be deducted from Carnarvon Petroleum Timor's Recoverable Costs.

Title to Carnarvon Petroleum Timor's Petroleum share (and the risk therein) passes to it when the Petroleum is delivered at the Field Export Point. Title to the Ministry's Petroleum that is taken by Carnarvon Petroleum Timor (and the risk therein) will pass to Carnarvon Petroleum Timor when the Petroleum is delivered at the Field Export Point.

Carnarvon Petroleum Timor has the obligations to defend, indemnify and hold harmless the Ministry in accordance with Applicable Law in Timor-Leste from and against all claims and demands asserted in respect of Petroleum in which it was holding risk of loss and damage.

Payments

Carnarvon Petroleum Timor will pay the Ministry for the Ministry's share of the Petroleum taken, received and disposed of within 10 working days of it having received the total amount in relation to such Petroleum. If Carnarvon Petroleum Timor has not received payment for the Petroleum within 90 Days after the bill of lading date, it will still have to make a provisional payment to the Ministry of 50 per cent. of the estimated value of the Ministry's share of Petroleum.

Economic equilibrium

It is agreed that, if any future changes in law materially affect Carnarvon Petroleum Timor's economic position under the Buffalo PSC both parties agree to amend the fiscal regimes applicable to Carnarvon Petroleum Timor under the Buffalo PSC, to restore the economic benefits (as close as possible) to that which Carnarvon Petroleum Timor would have enjoyed if such changes had not occurred. If the parties fail to reach agreement within 120 Days, either party may elect to submit the matter to the dispute resolution process in Article 14 of the Buffalo PSC (see article 14 below).

This attempt of a stabilisation clause goes some way but does not guarantee either the Ministry/Government of Timor-Leste (i) refraining from amending its laws to the extent Carnarvon Petroleum Timor's economic position under the Buffalo PSC may be affected or (ii) paying adequate compensation therefore.

Supply of crude oil and natural gas to Timor-Leste domestic market (Article 10)

The Ministry may require Carnarvon Petroleum Timor to supply Petroleum to the Timor-Leste domestic market (in accordance with Article 96.1 of the OPO Decree-Law). Carnarvon Petroleum Timor's obligation to supply such Petroleum for domestic purposes is calculated in any Calendar Month as follows:

(i) the total quantity of Petroleum produced from the Buffalo PSC Contract Area in the preceding Calendar Month and the entire Timor-Leste Petroleum production for that same Calendar Month are determined and a fraction calculated with quantity produced from the Buffalo PSC

Contract Area as the numerator and the denominator being the entire Timor-Leste Petroleum production;

(ii) 25 per cent. of the total quantity of Petroleum produced from the Buffalo PSC Contract Area is calculated;

(iii) the lower quantity of (i) or (ii) above is multiplied by the percentage of production from the Buffalo PSC Contract Area which Carnarvon Petroleum Timor is entitled to under Article 9 of the Buffalo PSC as summarised in article 9 (*Sharing of Petroleum*) above.

The Petroleum quantity computed in (iii) above shall be the maximum quantity to be supplied by Carnarvon Petroleum Timor to the Timor-Leste domestic market in any Calendar Month. Deficiencies, if any, are not carried forward.

Carnarvon Petroleum Timor is relieved from this domestic supply obligation for a Calendar Month, if the Recoverable Costs exceed the difference of total sales proceeds from Petroleum produced minus the 5 per cent. royalty share in Petroleum which the Ministry is entitled to (see article 9 (*Sharing of Petroleum*) above).

The price of Petroleum sold domestically will be determined in accordance with Chapter XIV of the OPO Decree-Law. Carnarvon Petroleum Timor is not obliged to transport the Petroleum beyond the Field Export Point, but, if requested by the Ministry, shall assist in arranging transportation, free of charge and risk to Carnarvon Petroleum Timor.

Payments (Article 11)

Carnarvon Petroleum Timor shall pay all fees and make payments to the Ministry in accordance with Applicable Law in Timor-Leste or under the Buffalo PSC. Payments under the Buffalo PSC will be made in US Dollars and within 10 Days of the end of the month in which the obligation to pay is incurred.

Any amount not paid in full when due bears interest, compounded on a monthly basis at a rate per annum equal to 1 month term LIBOR for US Dollar deposits as published by the Intercontinental Exchange for Benchmark Administration (IBA) plus 2 percentage points on and from the due date for payment until the amount, with interest, is paid in full.

Procurement for Petroleum Operations shall be undertaken on an arm's length basis and in accordance with Applicable Law in Timor-Leste and general principles of sourcing, tender, evaluation, monitoring and close-out. The OPO Decree-Law and Buffalo Decree-Law govern the launching of tenders, notifications, approvals and reporting of procurement for Petroleum Operations.

Title to facilities (Article 13)

Ownership of any fixed or moveable Facility owned by Carnarvon Petroleum Timor in connection with Petroleum Operations shall pass to TIMOR GAP - Timor Gás & Petróleo, E.P as per Article 98.1 of the OPO Decree-Law.

Production beyond the Term of the Buffalo PSC

Where Production from a Development Area is possible beyond the term of the Buffalo PSC, Carnarvon Petroleum Timor will hand over the Development Area to TIMOR GAP - Timor Gás & Petróleo, E.P and all Facilities and other property required to carry out existing operations, all in a good state of repair and operation. TIMOR GAP - Timor Gás & Petróleo, E.P shall assume all responsibility for the Facilities and other property, including their Decommissioning and hold Carnarvon Petroleum Timor harmless against any liability with respect thereto, whether accrued before or accruing after the date of such transfer.

If TIMOR GAP - Timor Gás & Petróleo, E.P elects not to take on the responsibility to continue Production in the Development Area beyond the Buffalo PSC term, the Ministry and Carnarvon Petroleum Timor or the then existing Contractor party may agree on new terms and conditions

based on the terms of this Buffalo PSC to allow Production to continue. Such new terms and conditions are to be no less favourable to Timor-Leste's entitlement in Petroleumte.

Rented or Leased Material, Facilities or other property

Carnarvon Petroleum Timor shall procure that TIMOR GAP - Timor Gás & Petróleo, E.P has the right to purchase at fair market value or lease (on terms and conditions no less favourable than those which apply to Carnarvon Petroleum Timor any Facilities and other property that are rented or leased to Carnarvon Petroleum Timor and used for Petroleum Operations. Ownership of any such item (other than by Carnarvon Petroleum Timor) must be clearly documented with the Ministry at the time of entry into Timor-Leste or of local acquisition ("**Leased Properties**") Provisions in the above paragraph (*Production beyond the Term of the Buffalo PSC)* do not apply to Leased Properties.

Moving property

Carnarvon Petroleum Timor requires prior Ministerial approval, if it wishes to move property located in the Buffalo PSC Contract Area that is no longer used in Petroleum Operations to another location within Timor-Leste for further use. If approved, Carnarvon Petroleum Timor shall pay TIMOR GAP - Timor Gás & Petróleo, E.P either an amount equal to a mutually agreed transfer price or, if no such price is agreed, an amount equal to the percentage of the cost of such property that has been recovered by Carnarvon Petroleum Timor as a Recoverable Cost as of the date the property is moved multiplied by the depreciated value of the property determined in accordance with the Buffalo PSC and international accounting standards.

Other uses of property

Carnarvon Petroleum Timor requires the prior approval of the Ministry to use the property located within the Buffalo PSC Contract Area for Petroleum Operations not related to the Buffalo PSC Contract Area. TIMOR GAP - Timor Gás & Petróleo, E.P's approval of the terms and conditions under which such property will be used is required.

Dispute resolution (Article 14)

The party claiming that a dispute exists must give the other party written notice, together with details of, the dispute. If the dispute is not settled within 30 Days of the written notice, it will be referred to the most senior executive of Carnarvon Petroleum Timor, resident in Timor-Leste, and the most senior executive of the Ministry, who each will reasonably endeavour to resolve the dispute. If the senior executives of the parties have settled the dispute, that settlement will be documented and signed by each party within 15 Days of reaching that settlement.

If the dispute is not resolved within 30 Days (or such period agreed) or if no document recording the settlement is signed within 15 Days of a resolution, either party may refer the dispute to arbitration. Arbitration will be conducted in English in accordance with the (i) 1965 Washington Convention and (ii) the 1978 ICSID Additional Facility and the venue of arbitration shall be Singapore. Obligations of the parties under the Buffalo PSC continue pending the resolution of any dispute.

Each party waives any claim to sovereign immunity.

Reports, data and information (Article 15)

The provisions of the Buffalo PSC are not confidential and data or information relating to it shall not be treated as such, other than as expressly provided for in the Applicable Law in Timor-Leste or as summarised below. A copy of the Buffalo PSC shall be made available by the Ministry at its central office of inspection by the public during normal office hours in addition to the copy which the Ministry is required to make public at the public register.

Carnarvon Petroleum Timor shall provide the Ministry, monthly with a report detailing operational information (the "**Operational Information Report**").

The Ministry has title to all data and information acquired in carrying on and as a result of the Petroleum Operations in accordance with the Applicable Law in Timor-Leste. This includes all project data whether raw, derived, processed, interpreted or analysed and such information may be used

by the Ministry for general statistical and other general reporting on its activities. Operational information is not confidential and may be made available to the public by the Ministry.

The Ministry may only publicly disclose the project data in accordance with the Applicable Law in Timor-Leste or for the purpose of resolving a dispute under the Buffalo PSC. Carnarvon Petroleum Timor may only use the project data for Petroleum Operations or for applications for an authorisation. Carnarvon Petroleum Timor may only disclose project data (i) as required by any law applicable to it, (ii) as required by a stock exchange, (iii) to its employees, agents, contractors and affiliates or (iv) for the purpose of resolving a dispute under the Buffalo PSC.

Carnarvon Petroleum Timor may not sell or disclose any project data or Operational Information or any other data or information relating to the Petroleum Operations without having obtained the prior written consent of the Ministry or as may be required under the Applicable Law in Timor-Leste. Carnarvon Petroleum Timor must return any copies of, additional sample of, or other material related to the project data to the Ministry upon the termination of Petroleum Operations.

Contractor confidential information and Contractor developments

Carnarvon Petroleum Timor will own all Contractor Developments unless mutually agreed by the parties. It shall disclose all Contractor Developments as soon as practicable after they are made and hereby grants an irrevocable royalty-free licence to the Ministry to use Contractor Developments for conducting Petroleum Operations under the Buffalo PSC. Carnarvon Petroleum Timor shall discuss the grant of a licence to the Ministry to use the Contractor Developments for any purpose whatsoever within Timor-Leste, such to be negotiated on a competitive and fair market basis.

The Ministry will keep Contractor Confidential Information or the Contractor Developments confidential other than as required by Applicable Law in Timor-Leste or the resolution of disputes under the Buffalo PSC. This confidentiality obligation shall not apply to any information which (i) is or becomes part of public domain otherwise than by breach of the Buffalo PSC, (ii) is lawfully obtained by the Ministry from another person, (iii) was in the Ministry's possession prior to disclosure by Carnarvon Petroleum Timor, or (iv) is subject to a notice served by the Ministry on Carnarvon Petroleum Timor requiring it to show cause as to why the Contractor Confidential Information is still subject to confidentiality obligations and Carnarvon Petroleum Timor does not comply with the required time.

Right to attend meetings

Ministry representatives are entitled to attend and observe any meeting in connection with the Petroleum Operations conducted by Carnarvon Petroleum Timor under the Buffalo PSC.

Public statements

Carnarvon Petroleum Timor may only make statements in public about the Buffalo PSC or Petroleum Operations in accordance with the Applicable Law in Timor-Leste or the rules of a recognised stock exchange.

Management of operations (Article 16)

Carnarvon Petroleum Timor may appoint or change an operator with the Ministry's approval.

Constitution of the Committee

For the purposes of the Buffalo PSC, a Committee will be set up for which Carnarvon Petroleum Timor and the Ministry will nominate 2 representatives each. One of the Ministry's representatives will be chairman. If there is more than one person comprising the Contractor under the Buffalo PSC, at least one representative from each such person will be nominated by the Ministry and the Contractor. For each of their representatives the Ministry and Carnarvon Petroleum Timor may nominate an alternative to act in the absence of the representative.

Committee Meetings

Committee meetings should be held at least twice a year in the Ministry's offices or another place as the Ministry advises upon its chairman giving 30 Days' notice thereof to discuss matters related to Petroleum Operations.

The Committee will meet at least once for each of the following purposes:

(a) determining the process under which Carnarvon Petroleum Timor will submit Work Programmes and Budget to the Ministry for approval;

(b) examining the Minimum Exploration Work Requirements and their progress, as well as the Work Programme and Budget for the following years;

(c) reviewing any proposed or agreed amendments to the Minimum Exploration Work Requirements or Work Programmes and Budget; and

(d) reviewing the progress of Petroleum Operations under current Work Programmes and Budget.

Carnarvon Petroleum Timor or the Ministry may request a meeting at any time by giving written notice to the chairman. The notice should include a full description of the purpose of the meeting and the chairman shall call the meeting by giving 30 Days' notice.

Third-party access (Article 17)

Carnarvon Petroleum Timor shall provide access for third-parties to the Facilities and other property within the Buffalo PSC Contract Area on reasonable terms and conditions (in accordance with Article 87 of the OPO Decree-Law).

Books of account, financial report, audit and cost verification (Article 18)

Except as otherwise agreed in writing by Carnarvon Petroleum Timor and the Ministry, all transactions giving rise to revenues, costs or expenses that will be credited or charged to the books, accounts, records and reports prepared, maintained or submitted under the Buffalo PSC must be conducted on (i) an arm's length basis or (ii) a basis that ensures all such revenues will not be lower and costs will not be higher than the international market price for goods and services of a similar quality, supplied on similar terms in South and South East Asia at the time the goods or services were contracted by Carnarvon Petroleum Timor at arm's length on a competitive basis with third parties.

Carnarvon Petroleum Timor is to maintain in Timor-Leste, in accordance with Annex C to the Buffalo PSC (*Accounting Procedure*), books of accounts and all such books and records necessary regarding the work performed under the Buffalo PSC, the costs incurred and the quantity and value of all petroleum produced and saved from the Buffalo PSC Contract Area and not used in Petroleum Operations.

The Ministry has the right to inspect and audit, at its sole cost, all of Carnarvon Petroleum Timor's books, accounts and records pertaining to Petroleum Operations under the Buffalo PSC. Such books accounts and records shall be made available by Carnarvon Petroleum Timor for the inspection and audit by representatives of the Government of Timor-Leste (including their independent auditors). The Ministry may audit, visit and inspect (at reasonable times) all sites, plants, Facilities, warehouses and offices of Carnarvon Petroleum Timor that directly or indirectly serve Petroleum Operations and can question personnel associated with those Petroleum Operations.

The Ministry may request that Carnarvon Petroleum Timor arrange an independent audit at Carnarvon Petroleum Timor's cost via the cost recovery mechanism. Carnarvon Petroleum Timor will provide the Ministry with a copy of any audit promptly after it is conducted. These rights extend to the books records and documents of persons comprising the Contractor and the Contractors' affiliates and sub-contractors. All audits should be completed within 24 months after the termination of the Contract Year to which such audits apply.

The Buffalo PSC includes provisions of a verification procedure whereby in respect to each Calendar Quarter Carnarvon Petroleum Timor's costs that qualify as Recoverable Costs will be initially verified and established, in accordance with the procedure in Annex C of the Buffalo PSC (*Accounting Procedure*).

As part of a technical audit, Carnarvon Petroleum Timor will provide the relevant authorities which are responsible for any of its activities with any relevant information and allow them free access. The Ministry will not assume any responsibilities for the performance or failure to perform any activities which it has audited or inspected as part of such technical audit.

Warranty and insurance (Article 19)

Carnarvon Petroleum Timor warrants that it has the financial capability, technical knowledge and technical ability to carry out the Petroleum Operations is accordance with the Applicable Law in Timor-Leste and the Buffalo PSC and that it does not have a record of non-compliance with principles of good corporate citizenship.

The Buffalo PSC also includes provisions in which Carnarvon Petroleum Timor must take out and maintain insurance on a strict liability basis in respect of matters reasonably required by the Ministry. The insurance policies must cover, pollution, loss or damage to Petroleum Operation assets, property loss, damage or bodily injury or death (including third party cover), the cost of removing wrecks, the cleaning-up operations following an accident or upon Decommissioning of Facilities and personal liability insurance. The insurance policies must name the Ministry as co-insured and include a waiver of subrogation against the Ministry.

Force majeure (Article 20)

The Buffalo PSC includes provisions in relation to Force Majeure which enable a party to claim Force Majeure within 24 hours of the event or circumstance concerned, following which the claiming party must keep the other party informed as to the actions taken or to be taken to overcome the effects of the Force Majeure. The parties are to consult each other to mitigate the effects of Force Majeure. If the Force Majeure materially hinders, delays or prevents Petroleum Operations for more than 3 consecutive months, the parties shall discuss amendments regarding the term and the periods of time in which Petroleum Operations are to be carried out under the Buffalo PSC.

Restrictions on assignment (Article 21)

Carnarvon Petroleum Timor may not Assign the Buffalo PSC (wholly or in part) without prior written consent of the Ministry and only in accordance with the Applicable Laws in Timor-Leste. An application for Ministerial approval to Assign is to be accompanied by all relevant information and documents relating to the prospective assignee and the terms of the proposed Assignment.

The Ministry may terminate the Buffalo PSC if Carnarvon Petroleum Timor Assigns the Buffalo PSC without prior written Ministerial consent, even if such Assignment is effective by force of the applicable laws of Timor-Leste.

In the event of a partial Assignment of rights, interests, benefits, obligations and liabilities under the Buffalo PSC:

(a) the assignor and assignee must enter into a joint operating agreement (requiring approval from the Ministry which may not be withheld if the assignee meets the requirements of Article 10.2 of the Petroleum Activities Law);

(b) the Buffalo PSC will be amended so that references to the Contractor are a reference to each of the assignor and assignee and the liability of the assignor and assignee to the Ministry is joint and several;

(c) the assignor remains liable for the fulfilment of any unfulfilled accrued obligations of the assignor prior to the date of Assignment;

(d) prior to the Assignment date, the assignee must provide a Parent Company guarantee for the fulfilment of the obligations assumed by it under the Buffalo PSC; and

(e) the instrument of Assignment is to state expressly that the assignee is bound by all covenants contained in the Buffalo PSC (on and from the Assignment date).

In the event of a full Assignment:

(i) prior to the Assignment date, the assignee must provide a Parent Company guarantee to the extent that such obligations are assumed by the assignee;

(ii) the instrument of Assignment is to state expressly that the assignee is bound by all covenants contained in the Buffalo PSC (on and from the Assignment date); and

(iii) the Assignment must comply with all requirements set forth under Article 99 of the OPO Decree-Law.

Assumption of Obligations

The assignor may be released and discharged from its obligation under the Buffalo PSC only to the extent that the obligations are assumed by the assignee, and approved by the Ministry.

Notification to TIMOR GAP

If an Assignment is proposed during the term of the Buffalo PSC Carnarvon Petroleum Timor shall notify TIMOR GAP - Timor Gás & Petróleo, E.P of the proposal and allow it to bid on the same terms as other interested parties.

Right of Ministry to Transfer

The Ministry may transfer the rights and obligations to a different entity within the Government of Timor-Leste. In this event the Ministry shall notify Carnarvon Petroleum Timor and it will deal with the new entity in place of the Ministry under the Buffalo PSC.

Assignment of Transfer of one or more blocks of the Buffalo PSC Contract Area

After conducting survey data and acquisition and technical evaluations, Carnarvon Petroleum Timor may elect to perform an Assignment of a part of the Buffalo PSC Contract Area, with the consent of the Ministry.

Where such Assignment means that the persons comprising the Contractor is or are not identical for all Contiguous Areas within the Buffalo PSC Contract Area, or when the Assignment results in the division of areas, the new person comprising the Contractor must execute a new production sharing contract with the Ministry within 30 Days from the date of the approval of Assignment. The new production sharing contract will maintain the same terms and obligations as this current Buffalo PSC (save for the provision of Annex A which outlines the Buffalo PSC Contract Area). The Ministry's consent lapses if the new production sharing contract is not executed within the timeframe.

In addition, the Ministry will define an additional Work Programme for the divided areas of the Buffalo PSC Contract Area and if this occurs during the Exploration, it will define an additional Minimum Exploration Work Requirements for the areas to be divided. The sum of the activities and expenditure in the resulting Work Programme shall always be greater than the original Work Programme and each of the divided Buffalo PSC Contract Areas must have a Work Programme associated with it and in the case of Exploration in that Buffalo PSC Contract Area, Minimum Exploration Work Requirements. The resulting areas shall become independent for all resulting effects including the calculation of State participation.

Transfer of Decommissioning Fund

In the event of an Assignment or transfer when a Decommissioning Fund has been created under the Buffalo PSC, the account or total deposit of the assignor or transferor in the account holding the Decommissioning Funds must be transferred to the assignee or transferee by the assignor or transferor.

Other provisions (Article 22)

Notices and waivers

All notices served on Carnarvon Petroleum Timor should be addressed to its registered office and served in accordance with the Applicable Law in Timor-Leste.

No waiver of any one or more obligation or defaults in the performance of the Buffalo PSC will operate or be construed as a waiver of any other obligations or defaults.

Governing Law and Language

The Buffalo PSC is governed and construed in accordance with the Applicable Law in Timor-Leste. If there is a conflict between the Portuguese and English language originals of the Buffalo PSC, the parties will meet to agree on the intent of the Buffalo PSC.

Third-party Rights

The parties do not intend terms of the Buffalo PSC to be enforceable by any third-party unless specifically provided in the Buffalo PSC.

Amendments and Inurement

The Buffalo PSC may not be amended or modified in any respect unless mutually agreed by the parties in writing. The Buffalo PSC shall inure to the benefit and burden of the parties, their respective successors and permitted assigns.

Joint and Several Liability

The obligations and liabilities of Carnarvon Petroleum Timor under the Buffalo PSC are obligations and liabilities of each and every company that constitutes the Contractor, jointly and severally.

No assumption of Liability by Timor-Leste

Timor-Leste does not assume any liability arising out of, or in relation to, Australia's exercise of jurisdiction over the Buffalo PSC Contract Area or the Buffalo Field prior to the Effective Date. With certain exceptions for particular costs incurred prior to the Effective Date, the Contractor acknowledges and agrees that Timor-Leste does not assume any responsibility or liability to Carnarvon Petroleum Timor or its affiliates in respect of tax matters under the Australian taxation regime prior to the Effective Date.

Definitions

The capitalised terms used in this summary shall have the respective meanings given below:

- "**Applicable Law in Timor-Leste**" means any law, decree-law, regulations, by-laws, codes, enactments, including Authorisations, decisions and directions issued and in force in Timor-Leste from time to time relevant to the implementation of the provisions provided in the Buffalo PSC.
- "**Approved Contract**" means a contract made by Carnarvon Petroleum Timor with the prior approval of the Ministry as a part of a Development Plan.
- "**Assignment**" has the meaning given to that term in the OPO Decree-Law, and "Assign" has a corresponding meaning.
- "**Available Crude Oil**" means all Crude Oil produced and saved from the Buffalo PSC Contract Area and not used in Petroleum Operations.
- "**Available Natural Gas**" means all Natural Gas produced and saved from the Buffalo PSC Contract Area and not used in Petroleum Operations.
- "**Buffalo Decree-Law**" means Decree-Law No. 26/2019, of 27 August 2019, on transition of petroleum titles and regulation of petroleum activities in the Buffalo Field.
- "**Calendar Quarter**" means a period of three (3) months commencing on 1 January and ending on the following 31 March, a period of three (3) months commencing on 1 April and ending on the following 30 June, a period of three (3) months commencing on 1 July and ending on the following 30 September, or a period of three (3) months commencing on 1 October and ending on the following 31 December.
- "**Commercial Discovery**" has the meaning given to that term in the OPO Decree-Law.
- "**Contiguous Area**" means a block, or a number of blocks, each having a point in common with another such block.
- "**Contract Year**" means a period of twelve (12) consecutive months, beginning on 27 May of each year. Contract Year 3 commenced prior to the Effective Date on 27 May 2018.
- **"Contractor**" means Carnarvon Petroleum Limited.
- "**Contractor Confidential Information**" means any technical or business information owned or controlled by Carnarvon Petroleum Timor as at the date of the Buffalo PSC which is not in the public domain and which derives independent economic value from not being in the public

domain and which, at the time of disclosure to the Ministry by Carnarvon Petroleum Timor is clearly marked or designated as confidential.

- "**Contractor Developments**"means the developments of or improvements to equipment, technology, methods, processes or techniques owned or controlled by Carnarvon Petroleum Timor prior to the commencement of the Buffalo PSC, which are made by Carnarvon Petroleum Timor during or arising out of the Petroleum Operations.
- "**Decommissioning**" means the abandoning of all fixed structures, facilities, wells, flowlines and platform.
- "**Decommissioning Cost Reserve**" means the total accumulated decommissioning cost calculated on an annual basis and added to form the decommissioning fund at the end of field life.
- **"Decommissioning Fund**" has the meaning given to that term in the OPO Decree-Law.
- "**Development Area**" has the meaning given to that term in the OPO Decree-Law.
- "**Effective Date**" means the date on which the Buffalo PSC comes into force.
- "**Exploration Period**" has the meaning given to that term in the OPO Decree-Law, and Article 5 of the Buffalo Decree-Law.
- **"Facilities**" has the meaning given to that term in the OPO Decree-Law.
- "**Former Permit**" means Australia exploration permit WA-523-P issued pursuant to the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth).
- "**Minimum Exploration Work Requirements**" means the compulsory minimum work requirements (including both work activities and expenditure) for each period of exploration.
- "**Miscellaneous Receipt**" means miscellaneous receipts as further described in clause 2.7 of Annex C of the Buffalo PSC.
- "**Operating Costs**" has the meaning given to that term in clause 2.4 of Annex C of the Buffalo PSC.
- "**Parent Company**" means a body corporate that, in respect of another body corporate:
  - controls the composition of that body's board; or
  - is in a position to cast, or control the casting of, more than one-half of the maximum number of votes that might be cast at a general meeting of that body; or
  - holds more than one-half of the issued share capital of that body (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital); or
  - is the Parent Company of the Parent Company of the other body.
- **"Period**" means a period of the Exploration Period being the Initial Period, the Second Period or the Third Period (each as defined in the Buffalo Decree-Law), or any of them, as the case may be, as summarised below.
- **"Petroleum**" has the meaning given in the Treaty.
- "**Petroleum Activities Law**" means the Petroleum Activities Law of Timor-Leste, Law No. 13/2005, of 2 September 2005, as amended by Law No. 1/2019, of 18 January 2019.
- "**Petroleum Operations**" has the meaning given to that term in the Petroleum Activities Law.
- "**Work Programme and Budget**" means:
  - in respect of a calendar year relating to exploration operations, a work programme and budget submitted in accordance with Article 15 of the OPO Decree-Law and approved in accordance with the Buffalo Decree-Law; and
  - in respect of a calendar year relating to development and production, a work programme and budget included in a Development Plan pursuant to Article 46 of the OPO Decree-Law, and approved in accordance with Article 47 of the OPO Decree-Law and the Buffalo Decree-Law.

- **"Uplift**" has the meaning given to that term in clause 2.6 of Annex C of the Buffalo PSC and applies an annual margin of 11 percentage points to the annual yield on long-term United States treasury bonds.

13.17 OGA Deed of Guarantee

The Company granted the OGA Deed of Guarantee in favour of the OGA. The Company guarantees Resolute's performance and payment obligations in respect of the Blocks.

Guarantee and funds undertaking

Under the OGA Deed of Guarantee, the Company:

(i) undertakes to provide sufficient funds where necessary to enable Resolute to carry out its obligations in accordance with the terms of licences awarded;

(ii) guarantees that, if any sums become payable by Resolute to the OGA under the terms of the licence(s) and Resolute does not pay those sums on first demand, the Company shall pay to the OGA an amount equal to all such sums; and

(iii) agrees that if any payments due from Resolute are not recoverable from the Company, as guarantor, or surety for Resolute for any reason whatsoever those payments shall nevertheless be recoverable from the Company as principal debtor and shall be payable by the Company on demand.

The OGA may claim or raise any action or exercise any right under the OGA Deed of Guarantee (including without prejudice to the foregoing generality claims for payment, damages for breach, actions for specific implement or performance, injunction or interdict):

(i) at the same time as or after making a demand of Resolute; or

(ii) before, at the same time as, or after taking any action to claim under or enforce any other right, security or guarantee which it may hold from time to time, in respect of Resolute's obligations under the license(s).

The OGA Deed of Guarantee is a continuing guarantee and will remain in force until no further payments are due from Resolute.

The Company's liability under the OGA Deed of Guarantee will not be affected by:

(i) any concession, time, indulgence or release granted by the OGA to Resolute or any co-guarantor;

(ii) the OGA's failure to take, perfect or hold unimpaired any security taken for the liabilities of Resolute; or

(iii) any payment or dealing or anything else (whether by or relating to Resolute, the Company or any other person) which would, but for (i) – (iii) set out in this paragraph, operate to discharge or reduce that liability.

Payment

The Company will make any payments under the OGA Deed of Guarantee in full, without any deduction of withholdings whatsoever. To the extent that any payment is subject to mandatory deduction or withholding whether as a result of tax requirements or otherwise, the amounts payable under the OGA Deed of Guarantee shall be increased by such amount as may be required so that the amount received by the OGA is no less than the amount which would otherwise have been received had such deduction or withholding not been made or required.

The Company shall accept a certificate or other document signed by or on behalf of the OGA as conclusive evidence of amounts payable by Resolute.

Interest

Any amounts due from the Company shall carry interest at 1.5 per cent. above the base rate for the time being of the Bank of England from the date of demand to the date of payment.

Security

The Company has not received any security from Resolute for giving the OGA Deed of Guarantee and shall not take any security for liability under the OGA Deed of Guarantee for so long as any sums may become payable under the license(s) without first obtaining written consent from the OGA. Any such security shall rank behind any claims of OGA under or pursuant to the license(s) of the OGA Deed of Guarantee. If, the Company takes any security, it shall hold the security and all or any amounts realised by the Company from the security on trust for the OGA.

Undertakings and confirmations

The Company undertakes not to dissolve, permit the striking off, wind up or take any other course of action that would materially prejudice the ability of Resolute to carry out its obligations to the OGA under the licence(s).

The Company shall not take any steps to enforce any right or claim or security interest against Resolute or any co-guarantor in respect of any monies paid by the Company to the OGA pursuant to the OGA Deed of Guarantee or any other liabilities between Resolute and the Company unless and until all of Resolute's obligations owing to the OGA (both actual and contingent) have been performed and discharged in full.

Governing law and jurisdiction

The Company provided the OGA Deed of Guarantee in respect of the Blocks held by Resolute and awarded under licence by the OGA under the Petroleum Act 1998.

The OGA Deed of Guarantee shall remain in full force and effect even if the Company or Resolute have merged or amalgamated with another company of if the Company or Resolute have changed their constitutional documents.

The OGA Deed of Guarantee and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales.

The Company agrees that the courts of England and Wales will have jurisdiction to hear and settle any dispute or claim (including non-contractual disputes or claims) that arise out of or in connection with the OGA Deed of Guarantee, although this shall not limit the right of the OGA to bring proceedings against the Company in any other court of competent jurisdiction.

The Company irrevocably agrees only to bring proceedings in the courts of England and Wales. The Company agrees in connection with proceedings in England and Wales that any writ, judgment or other notice of process shall be sufficiently and effectively served on the Company if delivered to 25 Bedford Square, London, WC1B 3HH.

13.18 Buffalo Escrow Agreement

The Company entered into the Buffalo Escrow Agreement on 29 March 2021 between the Company, AETL, CVNA and Carnarvon Petroleum Timor and the Escrow Agent. Under the Buffalo Escrow Agreement, the Escrow Agent acts as escrow agent in connection the Escrow Documents. Subject to the Resolutions being passed, at Admission, the Escrow Agent will arrange for the Escrow Documents to be dated and completion shall occur under the Buffalo Subscription Agreement. Following receipt by the Escrow Agent of copies of bank transfers showing that AETL has transferred or procured the transfer of the subscription amount payable under the Buffalo Subscription Agreement to the bank account of Carnarvon Petroleum Timor, the Escrow Agent will release the Escrow Documents. AETL undertakes to provide an irrevocable payment direction to Tennyson Securities and Optiva Securities instructing them to transfer the relevant subscription amount directly to Carnarvon Petroleum Timor's bank account. The Buffalo Escrow Agreement contains a

termination date of 30 April 2021 (which can be extended up to 7 May 2021 as the parties agree and notify in writing) whereby if Admission has not occurred by that date, the Escrow Documents will be destroyed, and if Admission has occurred but payment has not been made, the parties shall agree to take all reasonable actions required to unwind the transaction under the Buffalo Subscription Agreement and Buffalo Equity Holders Agreement and AETL shall transfer the Subscription Quota to CVNA for nil consideration. The Buffalo Escrow Agreement includes typical undertakings and indemnities provided by AETL.

14 Taxation

14.1 Isle of Man Taxation – General

Tax residence in the Isle of Man

The Company is resident for taxation purposes in the Isle of Man by virtue of being incorporated in the Isle of Man. It is also intended that the Company will be tax resident in the Isle of Man as a result of being centrally managed and controlled there.

Capital taxes in the Isle of Man

The Isle of Man has a regime for the taxation of income, but there are no capital duty, stamp taxes or inheritance taxes in the Isle of Man. No Isle of Man stamp duty or stamp duty reserve tax will be payable on the issue or transfer of, or any other dealing in, New Ordinary Shares.

Zero rate of corporate income tax in the Isle of Man

The Isle of Man operates a zero rate of tax for most corporate taxpayers. This will include the Company. Under the regime, the Company will technically be subject to taxation on its income in the Isle of Man, but the rate of tax will be zero; there will be no withholding to be made by the Company on account of Isle of Man tax in respect of dividends paid by the Company. The Company will be required to pay an annual return fee in the Isle of Man. The current level of the annual return fee is £380 per annum.

Deductions in respect of Isle of Man employees

The application of the zero rate of corporate income tax described above does not affect the liability of a company to deduct and account for income tax under the Isle of Man Income Tax (Instalment Payments) Act 1974 and national insurance contributions, if applicable, although this is not expected to be relevant to the Company as it does not have, nor does it currently intend to engage, any Isle of Man employees.

Isle of Man probate

In the event of the death of a sole holder of New Ordinary Shares, an Isle of Man grant of probate or administration may be required, in respect of which certain fees will be payable to the Isle of Man government.

14.2 United Kingdom - Taxation of chargeable gains

If a Shareholder sells or otherwise disposes of all or some Ordinary Shares (including a disposal on a winding-up of the Company), they may, depending on their circumstances, incur a liability to UK taxation on any chargeable gain realised.

Individual Shareholders

The current headline rates of capital gains tax for the 2020/21 tax year are 10 per cent. and 20 per cent. for individuals for gains other than those made which relate to disposals of residential property and/or carried interest receipts relating to investment management services provided. Certain reliefs or allowances may be available depending on the individual circumstances of the Shareholder, including the availability of an annual exempt amount which allows an individual to make a certain amount of gain each year before such gain become subject to tax in the UK. For 2020/21, this annual exempt amount is £12,300.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

For these purposes, the same thresholds apply for Scottish taxpayer Shareholders as in respect of other Shareholders resident in the UK. Scottish taxpayer Shareholders may wish to consult their own professional advisers if they are in any doubt as to their tax position in respect of disposals.

Corporate Shareholders

Corporate Shareholders within the charge to UK corporation tax which realise a gain will, subject to the availability of any exemptions, reliefs and/or allowable losses, be subject to corporation tax (at a current rate of 19 per cent.).

Indexation

In the case of individuals, indexation allowance is not available.

Corporate Shareholders will be entitled to an indexation allowance in computing the amount of a chargeable gain accruing on a disposal of the Ordinary Shares, which will provide relief for the effects of inflation by reference to movements in the UK retail price index up to December 2017 (but not from January 2018 onwards).

14.3 United Kingdom - Stamp duty and stamp duty reserve tax

The comments below relating to stamp duty and stamp duty reserve tax ("**SDRT**") apply whether or not a Shareholder is resident in the UK, but it should be noted that certain categories of person, including market makers, brokers, dealers and other specified market intermediaries, are entitled to exemption from stamp duty and SDRT in respect of purchases of securities in specified circumstances.

There should be no liability to stamp duty or SDRT arising on the allotment of Ordinary Shares by the Company.

The registration of and the issue of definitive share certificates to Ordinary Shareholders should not give rise to any liability to stamp duty or SDRT.

In addition, neither stamp duty nor SDRT should arise on the transfers/sale of Ordinary Shares on AIM (including instruments transferring Ordinary Shares and agreements to transfer Ordinary Shares) based on the following assumptions:

A. the Ordinary Shares are admitted to trading on AIM, but are not listed on any market (with the term "**listed**" being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and

B. AIM continues to be accepted as a "**recognised growth market**" as construed in accordance with section 99A of the Finance Act 1986).

If either of the above assumptions do not apply, stamp duty or SDRT may apply to transfers of Ordinary Shares in certain circumstances. In such circumstances, any unconditional agreement (whether written or verbal) to sell Ordinary Shares will normally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the actual consideration paid. If an instrument of transfer (usually a stock transfer form) is subsequently produced it will generally be subject to stamp duty at the rate of 0.5 per cent. of the actual consideration paid (rounded up to the nearest £5).

However, an exemption from stamp duty is available where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate amount or value of the consideration exceeds £1,000. When stamp duty is duly paid on the instrument, or the instrument is certified as exempt, the SDRT charge will be cancelled and any SDRT already paid will be refunded. Stamp duty and SDRT are generally the liability of the purchaser.

14.4 United Kingdom - Taxation of dividends

Liability to tax on dividends will depend upon the individual circumstances of the Shareholder.

A Shareholder resident outside the UK may be subject to non UK taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult their own tax adviser concerning their tax position on dividends received from the Company.

Individual Shareholders

Different rates of tax apply to different bands of a UK tax resident individual Shareholder's dividend income, which for these purposes includes UK and non UK source dividends and certain other distributions in respect of shares.

For the tax year 2020/21, the first £2,000 of dividend income received by an individual Shareholder in a tax year (the "**Nil Rate Amount**") is exempt from UK income tax, regardless of what tax rate would otherwise apply to that dividend income. If an individual Shareholder receives dividends in excess of the Nil Rate Amount in a tax year, the excess is taxed at the following dividend rates for the tax year 2020/21: 7.5 per cent. (for individuals not liable to tax at a rate above the basic rate), 32.5 per cent. (for individuals subject to the higher rate of income tax) and 38.1 per cent. (for individuals subject to the additional rate of income tax).

For the purposes of individual tax on dividend income, the same thresholds apply for Scottish taxpayer Shareholders as in respect of other Shareholders resident in the UK. Scottish taxpayer Shareholders may wish to consult their own professional advisers if they are in any doubt as to their tax position in respect of dividends.

Dividend income that is within the dividend Nil Rate Amount counts towards an individual's basic or higher rate limits, and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of the Nil Rate Amount. In calculating into which tax band any dividend income over the nil rate amount falls, savings and dividend income are treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

Corporate Shareholders

It is likely that most dividends paid on the Ordinary Shares to UK resident corporate Shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules. If a dividend paid on the Ordinary Shares to a UK resident corporate Shareholder does not fall within one of the exempt classes, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to corporation tax on the gross amount of the dividend at a current rate of 19 per cent.

Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers to determine whether dividends received will be subject to UK corporation tax.

THIS SUMMARY OF UK TAXATION ISSUES CAN ONLY PROVIDE A GENERAL OVERVIEW OF THESE AREAS AND IT IS NOT A DESCRIPTION OF ALL THE TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A DECISION TO INVEST IN THE COMPANY. THE SUMMARY OF CERTAIN UK TAX ISSUES IS BASED ON THE LAWS AND REGULATIONS IN FORCE AND HMRC PUBLISHED PRACTICE AS OF THE DATE OF THIS DOCUMENT AND MAY BE SUBJECT TO ANY CHANGES TO SUCH LAWS, REGULATIONS AND PRACTICE OCCURRING AFTER SUCH DATE. LEGAL ADVICE SHOULD BE TAKEN WITH REGARD TO INDIVIDUAL CIRCUMSTANCES. ANY PERSON WHO IS IN ANY DOUBT AS TO THEIR TAX POSITION OR WHERE THEY ARE RESIDENT, OR OTHERWISE SUBJECT TO TAXATION, IN A JURISDICTION OTHER THAN THE UK, SHOULD CONSULT THEIR PROFESSIONAL ADVISER.

15 Related party transactions

Save as set out in the historical financial information on the Company incorporated by reference in Part IV paragraph 6 of Part VII (*Share Options and Warrants*), paragraph 11.1 of Part I (*Principal terns of the Placing*), paragraph 10 of Part VII (*Directors' service agreements and letters of appointment*), paragraph 13.4 of Part VII (*Share Issue Deed*), and paragraph 15 of Part I (*Options, Warrants and Accrued Fee Issues*) in this document, the Group has not entered into a related party transaction during the period since 1 January 2018 up to the date of this document.

16 Principal investments

Save as set out or referred to in this document.

(a) no significant investments have been made by the Company since incorporation and up to the date of this document;

(b) no significant investments by the Company are in progress;

(c) there are no joint ventures or undertakings to which the Company holds a proportion of the capital that are likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses; and

(d) there are no future significant investments by the Company in respect of which a legally binding commitment has already been made.

17 Working capital

The Directors are of the opinion having made due and careful enquiry that, taking into account the estimated net proceeds of the Placing, the working capital available to the Company will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

18 Litigation

The Company is not nor has it during the 12 months preceding the date of this document been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company.

19 No significant change

There has been no significant change in the financial or trading position of the Company since 31 October 2020, being the date to which the unaudited consolidated interim financial information on the Company was prepared and of Carnarvon Petroleum Timor since 31 October 2020, being the date to which the unaudited financial information on Carnarvon Petroleum Timor was prepared, save as disclosed in this document.

20 Consents

Each of Lubbock Fine LLP, RISC Advisory Pty Ltd, Strand Hanson Limited, Tennyson Securities and Optiva Securities has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

21 General

21.1 The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission are estimated to be approximately £1,833,727 (exclusive of VAT). The gross proceeds of the Placing are estimated to be approximately £21,842,600 and the net proceeds of the Placing are estimated to be approximately £20,008,873.

21.2 Of the Placing Price, zero pence represents the nominal value of each new Ordinary Share and 2.6 pence represents the premium.

21.3 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Company's activities.

21.4 Save as disclosed in this document, so far as the Directors are aware, there have not, in relation to the Company, been:

(a) any significant recent trends in production, sales, inventory, costs and selling prices between the end of the last financial year of the Company and the date of this document; or

(b) any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on the Company's prospects for at least the current financial year.

21.5 Save as disclosed in this document, the Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

21.6 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the application for Admission or has entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:

(a) fees totalling £10,000 or more;

(b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

21.7 The Directors confirm that, where information in this document has been sourced from a third party, this information has been accurately reproduced and that, so far as the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

21.8 Lubbock Fine are the auditors of the Company and are a member firm of the Institute of Chartered Accountants in England and Wales.

21.9 The accounting reference date of the Company is 30 April in each year. The current accounting reference period of the Company ends on 30 April 2021.

21.10 There are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Company's business or profitability.

21.11 Save as disclosed in this document, the Company has no employees other than the Directors, and the sole employee, John Battrick, but will engage temporary employees or consultants on fixed term arrangements or on a consultancy basis as required. On average during the most recent financial year, the Company has engaged no temporary employees on a consultancy basis.

21.12 There have been no takeover bids by third parties in respect of the Company's equity which have occurred during the last financial year or the current financial year.

21.13 Save as disclosed in this document, no government or regulatory authority or similar body has received, directly or indirectly, from the Company any of the following with regard to the acquisition or maintenance of the Company's assets:

(a) fees totalling £10,000 or more;

(b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

22 Availability of this document

Copies of this document will be available to the public free of charge at the registered office address of the Company during normal business hours on any day (except Saturdays, Sundays and public holidays) for a period of one month from the date of Admission. This document will also be available for download from the Company's website.

ADVANCE ENERGY PLC
(the "Company")

(Incorporated and registered in the Isle of Man under the Isle of Man Companies Act 2006 with company number 010493V)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the members of the Company will be held at FIM Capital Limited, 55 Athol Street, Douglas, Isle of Man. IM1 1LA on 16 April 2021 at 9.00 a.m. to consider and, if thought fit, pass the following resolutions.

IMPORTANT: COVID-19 IMPLICATIONS – PARTICIPATING IN THE EXTRAORDINARY GENERAL MEETING

Please note that, due to the ongoing situation arising from Covid-19 and the official UK and Isle of Man government guidance to limit social contact, physical attendance at the Extraordinary General Meeting is not permitted. Please therefore do not seek to attend the Extraordinary General Meeting in person as you will not be granted admittance. All members are strongly urged to complete and submit a proxy appointment in accordance with the instructions herein. The proxy appointment must be received by Grainne Devlin at FIM Capital Limited, 55 Athol Street, Douglas, Isle of Man, IM1 1LA or gdevlin@fim.com.im by no later than 9.00 a.m. on 14 April 2021 being 48 hours before the time of the Extraordinary General Meeting.

Ordinary Resolutions

1. THAT, for the purposes of Rule 14 of the AIM Rules for Companies, the reverse takeover by the Company arising from the election of the Company to subscribe for shares in Carnarvon Petroleum Timor Unipessoal Lda pursuant to the terms of the Buffalo Subscription Agreement and Buffalo Equity Holders Agreement (as defined and further described in the admission document accompanying the notice of this meeting) is hereby approved and ratified and the Directors of the Company (or any duly constituted committee thereof) be and are hereby authorised to take all steps necessary to effect that transaction with such modification, variations, amendments or revisions and to do, or procure to be done, such other things in connection with the transaction as they consider appropriate.

2. THAT, subject to and conditional upon the passing of Resolution 1, the directors of the Company be generally and unconditionally authorised in accordance with article 5.2 of the Articles (as defined in the Admission Document) to exercise all of the powers of the Company to allot:

   (a) the Placing Shares and the Accrued Director Fee Shares);

   (b) New Ordinary Shares (or to grant rights to subscribe for or to convert any security into such New Ordinary Shares) (in addition to the authorities conferred in sub-paragraph (a) and (c)) up to an aggregate maximum number of 500,000,000 New Ordinary Shares (representing approximately 49 per cent., of the Company's Enlarged Share Capital (as defined in the Admission Document);

   (c) New Ordinary Shares in connection with the exercise or conversion of the Options and Warrants (each as defined in the Admission Document);

   such authority to expire (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company or, if earlier, the date 15 months after the date of passing this Resolution, provided that this authority shall allow the Company, before such expiry, to make an offer or enter into an agreement which would or might require New Ordinary Shares to be allotted after this authority expires and the Directors may allot New Ordinary Shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

3. THAT, subject to and conditional upon the passing of Resolution 1 and 2 and the provisions of article 5.5 of the Articles requiring shares proposed to be issued for cash first to be offered to the members in proportions as near as may be to the number of the existing shares held by them respectively be and are hereby disapplied in relation to:

   (a) the allotment of New Ordinary Shares pursuant to a rights issue and otherwise pursuant to a rights issue, open offer, scrip dividend scheme or other pre-emptive offer or scheme which is in each case in favour of holders of New Ordinary Shares and any other persons who are entitled to participate in such issue, offer or scheme where the equity securities offered to each such holder and other person are proportionate (as nearly as may be) to the respective numbers of New Ordinary Shares held or deemed to be held by them for the purposes of their inclusion in such issue, offer or scheme on the record date applicable thereto, but subject to such exclusions or other arrangements as the directors of the Company may deem fit or expedient to deal with fractional entitlements, legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or stock exchange in any territory, shares being represented by depositary receipts, directions from any holders of shares or other persons to deal in some other manner with their respective entitlements or any other matter whatever which the Directors consider to require such exclusions or other arrangements with the ability for the Directors to allot equity securities not taken up to any person as they may think fit; and

   (b) the allotment of the Placing Shares, the Accrued Director Fee Shares and the New Ordinary Shares as referred to in Resolution 2 above,

   such disapplication to expire on the same date as the expiration of any authority given in Resolution 2, provided that this disapplication shall allow the Company, before such expiry, to make an offer or enter into an agreement which would or might require New Ordinary Shares to be allotted after this disapplication expires and the directors of the Company may allot such New Ordinary Shares in pursuance of such an offer or agreement and in pursuance of any agreement existing prior to the passing of this Resolution as if the disapplication conferred hereby had not expired.

4. THAT, subject to and conditional upon the passing of Resolution 1, 2 and 3, the Articles (as defined in the Admission Document) be amended with immediate effect as set out in the amendments appended to this Notice at Appendix 1: Amendments to Articles, initialled by the Chairman of the meeting.

5. THAT, subject to and conditional upon the passing of Resolution 1,2,3 and 4 the 1,718,416,985 Ordinary Shares, 167,000,000 Options and 119,746,490 Warrants be consolidated into up to 171,841,698 New Ordinary Shares, 16,700,000 Options and 11,974,636 Warrants (with their corresponding exercise prices being increased in proportion) and with such shares, options and warrants having the same rights and being subject to the same restrictions as the existing Ordinary Shares and Warrants as set out in the Company's articles of association for the time being, and the Company be authorised to sell any fractional amounts resulting from the consolidation (no member will be entitled to a fraction of a New Ordinary Share as a result of the consolidation and where any member would otherwise be entitled to a fraction only of a New Ordinary Share in respect of their existing Ordinary Shares such fractions will, in so far as possible, be aggregated with the fractions of New Ordinary Shares to form Fractional Entitlement Shares (as defined in the Admission Document) which shall be cancelled by the Company).

By Order of the Board

Grainne Devlin
Company Secretary

Registered Office:

55 Athol Street,
Douglas
Isle of Man
IM1 1LA

Date: 31 March 2021

Notes:

1. A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend and vote instead of him or her.

2. A Form of Proxy is enclosed which, to be valid, must be completed and delivered, sent by post or sent by email to gdevlin@fim.co.im or by facsimile to + 44 (0)1624 681392 together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy or copy in some other manner approved by the directors of such authority) to FIM Capital Limited, 55 Athol Street, Douglas, Isle of Man IM1 1LA so as to arrive not later than 9.00 a.m. on 14 April 2021 or, in the event that the meeting is adjourned, not later than 48 hours before the time appointed for the meeting or any adjournment thereof.

3. The completion and return of a form of proxy will not, however, preclude shareholders from attending and voting in person at the meeting or at any adjournment therefore, should they wish to do so.

4. If two or more persons are jointly entitled to a share conferring the right to vote, any one of them may vote at the meeting either in person or by proxy, but if more than one joint holder is present at the meeting either in person or by proxy, the one whose name stands first in the register of members in respect of the joint holding shall alone be entitled to vote in respect thereof. In any event, the names of all joint holders should be stated on the form of proxy.

5. A vote given by a proxy or authorised representative of a company is valid notwithstanding termination of his authority unless notice of the termination is received at the Company's registrars address as set out in paragraph 2 above (or at such other place at which the instrument of proxy was duly received) at least forty-eight hours before the time fixed for holding the meeting or adjourned meeting at which the vote is given.

6. The Company, pursuant to Regulation 22 of the Uncertificated Securities Regulations 2006 (Isle of Man), specifies that only those members registered in the register of members as at 9.00 a.m. on 14 April 2021 (or in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjournment meeting) shall be entitled to attend or vote at the meeting in respect of the ordinary shares registered in their name at that time. Changes to entries on the register of members after 9.00 a.m. on 14 April 2021 (or, in the event that the meeting is adjourned, on the register of members less than 48 hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

7. Due to the ongoing situation arising from Covid-19 and the official UK and Isle of Man government guidance to limit social contact, physical attendance at the meeting is not permitted. Members should not seek to attend the meeting in person as they will not be granted admittance.

Insertion of the following new Definitions under Article 2.1

"**Electronic Communication**" has the meaning ascribed to the term "electronic communication" in the Electronic Transactions Act 2000 and includes, for the avoidance of doubt: (i) sending documents and other communications by e-mail (being a system for sending and receiving messages electronically over a computer network), (ii) in the case only of communications made by the Company to the members (and not, for the avoidance of doubt, communications made by the members to the Company, or the members to one another, subject to (iii) below), making documents and other communications available on a website (being a system for the conveyance of documents and other information over a computer network) (the 'Website') provided that the relevant member has consented (or is deemed to have consented) to the receipt of communications by such means in accordance with applicable law, and (iii) in the case of voting by members of the Company only, any system operated by the Company by electronic means in order to assist voting (including by proxy) whether on the Website or any other means specifically operated by the Company;

"**present**" means, for the purposes of physical general meetings, present in person, or, for the purposes of electronic general meetings, present by electronic means (and references to persons attending by electronic means is defined as attendance at electronic general meetings via the electronic platform(s) stated in the notice of such meeting);

"**electronic general meeting**" means an annual general meeting or other general meeting of members hosted on an electronic platform;

"**electronic platform**" includes, but is not limited to, website addresses and conference call systems;

Insertion of a new Article 52A

52A Convening of annual general meetings and other general meetings

The board shall determine whether an annual general meeting or general meeting is to be held as an electronic general meeting. The board may call meetings whenever and at such times and places (including electronic platforms) as it shall determine.

Insertion under Article 55.2

The notice shall specify whether the general meeting shall be an electronic general meeting in addition to the physical meeting or on its own. The notice of general meeting (including any notice given by means of a website) shall specify the place, date and time of the physical meeting (if necessary), details of any electronic platform for the meeting, whether the meeting will be an annual general meeting and the general nature of the business to be transacted. If the notice is made available by means of a website, it will be made available until the conclusion of the meeting. Any electronic platform may vary from time to time and from meeting to meeting as the board, in its sole discretion, sees fit.

Insertion of new Article 58A

58A Without prejudice to article 60.2 regarding adequacy of meeting place, the Board may resolve to hold a general meeting as an electronic general meeting in addition to a physical general meeting and allow members entitled to attend a general meeting by electronic means. Those members attending by electronic means and present at the electronic general meeting shall be counted in the quorum for, and entitled to vote at, the general meeting in question in addition to those members present at the general meeting and attending the physical meeting location (if available). The meeting shall be duly constituted and its proceedings valid if the chair of the general meeting is satisfied that adequate facilities are available throughout the electronic general meeting to ensure that members attending the electronic general meeting who are not present together at the same place may, by electronic means, attend and speak and vote at it. Nothing in these articles prevents a general meeting being held both physically and electronically.

Insert new article 60A

60A The Board and, at any electronic general meeting, the Chairman may make any arrangement and impose any requirement or restriction as is:

(a) necessary to ensure the identification of those taking part in the electronic general meeting and the security of the Electronic Communication; and

(b) proportionate to those objectives.

In this respect the company is able to authorise any voting application, system or facility for electronic general meetings as it sees fit.

Insert under Article 72

For the purposes of electronic general meetings, the right of a member to participate in the business of any general meeting shall include without limitation the right to speak, vote on the electronic platform, vote on a poll, be represented by a proxy and have access (including electronic access) to all documents which are required by the Companies Acts or these articles to be made available the meeting.

Removal of Article 82 and the insert of a new Article 82:

Notwithstanding the provisions of these Articles but always subject to the requirements of the law of the Isle of Man, the provisions of Chapter 5 of the Financial Conduct Authority's (United Kingdom) Disclosure Rules and Transparency Rules Source Book ("**DTR**") or any successor or other regime (whether statutory or non-statutory) governing the disclosure of interests in shares in the United Kingdom, which relates to the requirements of shareholders to disclose their total proportion of voting rights (as defined in the DTR) shall be deemed to be incorporated into these Articles and shall bind the Company and its Members, and references to an "issuer" in such provisions shall be deemed to be references to the Company.

Insertion of the following phrase after '…as it thinks fit' in Article 115:

including holding electronic or virtual meetings using an electronic platform.

APPENDIX II

TERMS AND CONDITIONS OF THE PLACING MADE BY CONTRACT NOTES

For invited placees only – Important Information

The information contained herein is restricted and is not for publication, release or distribution in or into the United States, any province of Canada or Australia, the Republic of South Africa, New Zealand or Japan, subject to certain limited exemptions.

Each Placee should consult with its own advisers as to legal, tax, business and related aspects in relation to any purchase of Placing Shares.

Advance Energy plc (the "Company")

Proposed placing (the "Placing") of new Ordinary Shares in the capital of the Company (the "Placing Shares") at a price per share (the "Placing Price") expected to be 2.6 pence to raise approximately £21.84 million

Important information on the Placing for placees procured by Tennyson Securities (a trading name of Shard Capital Partners LLP, "Tennyson")

The Company and/or Tennyson and/or Optiva Securities Ltd ("**Optiva**", together with Tennyson being "**the Joint Brokers**") may require any placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such placee to execute a separate placing letter (a "**Placing Letter**").

THESE TERMS AND CONDITIONS (THE "TERMS AND CONDITIONS") DO NOT CONSTITUTE AN OFFER OR INVITATION TO ACQUIRE, UNDERWRITE OR DISPOSE OF, OR ANY SOLICITATION OF ANY OFFER OR INVITATION TO ACQUIRE, UNDERWRITE OR DISPOSE OF, ANY ORDINARY SHARES OR OTHER SECURITIES OF THE COMPANY TO ANY PERSON IN ANY JURISDICTION TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, INVITATION OR SOLICITATION IN SUCH JURISDICTION. PERSONS WHO SEEK TO PARTICIPATE IN THE PLACING MUST INFORM THEMSELVES ABOUT AND OBSERVE ANY SUCH RESTRICTIONS AND MUST BE PERSONS WHO ARE ABLE LAWFULLY TO RECEIVE THIS DOCUMENT IN THEIR JURISDICTION (ALL SUCH PERSONS BEING "RELEVANT PERSONS"). IN PARTICULAR, THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION (OR A SOLICITATION OF ANY OFFER OR INVITATION) TO ACQUIRE, UNDERWRITE OR DISPOSE OF OR OTHERWISE DEAL IN ANY ORDINARY SHARES OR OTHER SECURITIES OF THE COMPANY IN THE UNITED STATES, ANY PROVINCE OF CANADA OR AUSTRALIA, NEW ZEALAND, THE REPUBLIC OF SOUTH AFRICA OR JAPAN, SUBJECT TO CERTAIN LIMITED EXEMPTIONS, OR IN ANY OTHER JURISDICTION IN WHICH ANY SUCH OFFER, INVITATION OR SOLICITATION IS OR WOULD BE UNLAWFUL.

IN THE UK, THESE TERMS AND CONDITIONS ARE DIRECTED ONLY AT PERSONS IN THE UNITED KINGDOM WHO ARE QUALIFIED INVESTORS (WITHIN THE MEANING OF ARTICLE 2(E) OF THE PROSPECTUS REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("UK PROSPECTUS REGULATION")) AND WHO (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER"); OR (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC") OF THE ORDER; OR (B) ARE PERSONS WHO ARE OTHERWISE LAWFULLY PERMITTED TO RECEIVE IT (ALL SUCH PERSONS REFERRED TO IN (A) and (B). THESE TERMS AND CONDITIONS AND THE INFORMATION IN IT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR

INVESTMENT ACTIVITY TO WHICH THIS APPENDIX AND THE TERMS AND CONDITIONS SET OUT HEREIN RELATE IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE PLACING SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR UNDER ANY OTHER SECURITIES LEGISLATION OF, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF, ANY STATE OR OTHER JURISIDICTION OF THE UNITED STATES OR REGISTERED OR QUALIFIED UNDER THE APPLICABLE SECURITIES LAWS OF ANY PROVINCE OR TERRITORY OF CANADA OR UNDER THE SECURITIES LAWS OF AUSTRALIA, NEW ZEALAND THE REPUBLIC OF SOUTH AFRICA OR JAPAN OR IN ANY COUNTRY, TERRITORY OR POSSESSION WHERE TO DO SO MAY CONTRAVENE LOCAL LAW OR REGULATIONS. ACCORDINGLY, THE PLACING SHARES MAY NOT, SUBJECT TO CERTAIN LIMITED EXCEPTIONS, BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN OR INTO THE UNITED STATES, ANY PROVINCE OR TERRITORY OF CANADA OR AUSTRALIA, NEW ZEALAND, THE REPUBLIC OF SOUTH AFRICA OR JAPAN OR OFFERED OR SOLD TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT ("REGULATION S")) OR A NATIONAL, CITIZEN OR RESIDENT OF ANY PROVINCE OF CANADA OR AUSTRALIA, NEW ZEALAND, THE REPUBLIC OF SOUTH AFRICA, OR JAPAN. THE PLACING SHARES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES IN TRANSACTIONS COMPLYING WITH REGULATION S, WHICH PROVIDES AN EXEMPTION FROM THE REQUIREMENT TO REGISTER THE OFFER AND SALE UNDER THE SECURITIES ACT.THE ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, OR ANY OTHER SECURITIES COMMISSION OR REGULATORY AUTHORITY OF THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE PLACING SHARES NOR HAVE THEY APPROVED THIS DOCUMENT OR CONFIRMED THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE US.

These Terms and Conditions apply to persons who offer to purchase Placing Shares in the Placing. Each person (a "**Placee**") to whom these Terms and Conditions apply, as described above, who confirms his agreement with Tennyson, whether by telephone or otherwise, to purchase Placing Shares in the Placing, hereby agrees with Tennyson to be legally and irrevocably bound by these Terms and Conditions which will be the Terms and Conditions on which the Placing Shares will be acquired in the Placing. Capitalised terms not otherwise defined in this Appendix are as defined in the placing proof of the Admission Document (the "**Placing Proof Admission Document**") to which this is an appendix and of which it forms a part. Optiva will enter into Placing Letters with the placees introduced by them to the Company.

Acceptance of any offer incorporating the Terms and Conditions (whether orally or in writing or evidenced by way of a contract note) will constitute a binding irrevocable commitment by a Placee, subject to the Terms and Conditions set out below, to subscribe and pay for the relevant number of Placing Shares (the "**Placing Participation**"). Such commitment is not capable of termination or rescission by the Placee in any circumstances except fraud. All such obligations are entered into by the Placee with Tennyson in its capacity as agent for the Company and are therefore directly enforceable by the Company.

In the event that Tennyson has procured acceptances from a Placee in connection with the Placing prior to the date of the despatch of this Placing Proof Admission Document to such Placee, Tennyson will, prior to Admission, request confirmation from any such Placee that its Placing Participation, as agreed in any earlier commitment, remains firm and binding upon the Terms and Conditions of this document and referable to the contents of the Placing Proof Admission Document of which these Terms and Conditions form part. Upon such confirmation being given (whether orally, in writing or by conduct (including without limitation by receipt of the relevant placing proceeds by Tennyson)) any agreement made in respect of the Placing Shares shall be varied, amended and/or ratified in accordance with the Terms and Conditions and based upon this Placing Proof Admission Document and no reliance may be placed by a Placee on any earlier version of this document.

Terms of the Placing

Application will be made to the London Stock Exchange plc for the admission of the Placing Shares to be issued pursuant to the Placing to trading on the AIM market ("**AIM**").

Except as otherwise set forth herein, it is anticipated that dealings in the Placing Shares will commence on AIM on 19 April 2021 for normal account settlement and that admission of the Placing Shares to AIM will become effective on that date ("**Admission**"). The Placing Shares will not be admitted to trading on any stock exchange other than AIM. Each Placee will be deemed to have read this Appendix in its entirety. Each of the Joint Brokers is acting for the Company and no one else in connection with the Placing and will not regard any other person (whether or not a recipient of these Terms and Conditions) as a client in relation to the Placing and to the fullest extent permitted by law and applicable rules of the Financial Conduct Authority ("**FCA**"), neither of the Joint Brokers nor any of their respective affiliates will have any liability to Placees or to any person other than the Company in respect of the Placing.

The Placing Shares will rank equally in all respects with the existing Ordinary Shares of the Company on Admission, including the right to receive dividends or other distributions, if any.

Conditions

Your Placing Participation in all respects conditional upon:

(i) the Joint Brokers, Strand, the Company and the directors (and proposed directors) of the Company entering into a placing agreement relating to the placing of the Placing Shares (the "Placing Agreement") and the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms prior to Admission;

(ii) the passing of the resolutions to approve (inter alia) the issue of the Placing Shares at a general meeting of the Company to be held on 16 April 2021; and

(iii) Admission having become effective,

in each case by 8.00 a.m. on 19 April 2021 or such later time and/or date as the Company, Strand and Joint Brokers agree, but in any event being no later than 17:00 (London time) on 30 April 2021.

Pursuant to the Placing Agreement, each of the Joint Brokers will agree on behalf of and as agent for the Company, to use its reasonable endeavours to procure persons who will subscribe for the Placing Shares at the Placing Price, subject to these Terms and Conditions. The Placing will not be underwritten.

The Placing Agreement will (inter alia) contain certain representations, warranties and indemnities from the Company and certain representations and warranties from its directors for the benefit of Strand and the Joint Brokers. Each of Strand and the Joint Brokers may, in their absolute discretion, terminate the Placing Agreement if prior to Admission, inter alia, a force majeure event occurs, there is a breach of any of the warranties or undertakings or any fact or circumstance arises which causes a warranty to become untrue, inaccurate or misleading in any material respect or the Company or the Company's directors fail to comply with their respective obligations under the Placing Agreement in any material respect. The exercise by Strand or either of the Joint Brokers of any right of termination or any right of waiver exercisable by them contained in the Placing Agreement or the exercise of any discretion under the Placing Proof Admission Document and the Terms and Conditions set out herein is within their absolute discretion and they will not have any liability to you whatsoever in connection with any decision to exercise, or not exercise, any such rights.

By accepting the Placing Shares referred to in the Placing Proof Admission Document to which this Appendix is annexed, you agree that, without having any liability to you, each of Strand or the Joint Brokers may, in their absolute discretion, exercise the right, (i) not to enter into the Placing Agreement; (ii) to extend the time for fulfilment of any of the conditions in the Placing Agreement (provided that your commitment in respect of the Placing Shares is not extended beyond 17:00 (London time) on 30 April 2021) (iii) to waive, in whole or in part, fulfilment of certain of the conditions; or (iv) to terminate the Placing Agreement, in each case without consulting you.

If (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived); or (ii) the Placing Agreement is terminated; or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will not proceed and all funds delivered by you to Tennyson pursuant to the Placing Proof Admission Document and this Appendix will be returned to you at your risk without interest, and your rights and obligations hereunder shall cease and determine at such time and no claim shall be made by you in respect thereof.

Settlement

The Company has applied for the Ordinary Shares to be held in CREST so that Shareholders have the choice of whether they want to hold their Ordinary Shares in certificated or uncertificated form. Shareholders who elect to hold their Ordinary Shares in uncertificated form will be bound by the terms of the CREST system. Shareholders can rematerialise Ordinary Shares into certificated form at any time using standard CREST messages.

Placing Shares will be delivered direct into your CREST account, provided payment has been made in terms satisfactory to Tennyson and the details provided by you have provided sufficient information to allow the CREST system to match to the CREST account specified. Placing Shares comprised in your Placing Participation are expected to be delivered to the CREST account which you specify by telephone to your usual sales contact at Tennyson.

Subject to the conditions set out above, payment in respect of your Placing Participation is due as set out below. You should provide your settlement details in order to enable instructions to be successfully matched in CREST.

The relevant settlement details are as follows:

CREST participant ID of Tennyson:	BH01; Securities Account 942436
Expected trade date:	19 April 2021
Settlement date:	19 April 2021
ISIN code for the Placing Shares:	IM00BKSCP798

Deadline for you to input instructions into CREST: 12.00 p.m. (UK time) on 19 April 2021.

In the event that the Placing Agreement does not become unconditional in all respects, or is terminated, the Placing will not proceed. Once the Placing Shares are allotted and issued, such Placing Shares will be admitted to CREST with effect from Admission. It is expected that dealings on AIM in the Placing Shares will commence on or about 16 April 2021.

Further Terms, Confirmations and Warranties

In accepting the Placing Participation you make the following confirmations, acknowledgements, warranties and/or undertakings to the Joint Brokers and the Company and their respective directors/agents and advisers:

1. You represent and warrant that you have read this Appendix in its entirety and acknowledge that your participation in the Placing will be governed by the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings of this Appendix.

2. You acknowledge and agree that your acceptance of your Placing Participation on the terms set out in the Placing Proof Admission Document and this Appendix is legally binding, irrevocable and is not capable of termination or rescission by you in any circumstances.

3. You confirm, represent and warrant that you have not relied on, received nor requested nor do you have any need to receive, any prospectus, offering memorandum, listing particulars or any other document, other than the Placing Proof Admission Document describing the business and affairs of the Company which has been prepared for delivery to prospective investors in order to assist them in making an investment decision in respect of the Placing Shares, any information given or any representations, warranties, agreements or undertakings (express or implied), written or oral, or statements made at any time by the Company, Strand, the Joint Brokers or by any subsidiary, holding company, branch or associate of the Company, Strand, the Joint Brokers or any of their respective officers, directors, agents, employees or advisers, or any other person in connection with the Placing, the Company and its subsidiaries or the Placing Shares and that in making your application under the Placing you will be relying solely on the information contained in the Admission Document when published and this Appendix and you will not be relying on any agreements with the Company and its subsidiaries, Strand, the Joint Brokers or any director, employee or agent of the Company, Tennyson other than as expressly set out in the Admission Document when published and this Appendix, for which none of Strand, the Joint Brokers or the Company or any of their directors and/or employees

and/or person(s) acting on behalf of any of them shall, to the maximum extent permitted under law, have any liability except in the case of fraud.

4. You confirm, represent and warrant that you are sufficiently knowledgeable to understand and be aware of the risks associated with, and other characteristics of, the Placing Shares and, among others, of the fact that you may not be able to resell the Placing Shares except in accordance with certain limited exemptions under applicable securities legislation and regulatory instruments.

5. You confirm, represent and warrant, if a company, that you are a valid and subsisting body corporate and have all the necessary corporate capacity and authority to execute your obligations in connection with the Placing Participation.

6. You agree that the exercise by Strand or either of the Joint Brokers of any right of termination or any right of waiver exercisable by Strand or either of the Joint Brokers contained in the Placing Agreement or the exercise of any discretion, including without limitation the right not to enter into the Placing Agreement, is within the absolute discretion of Strand and either of the Joint Brokers and neither Strand nor either of the Joint Brokers have any liability to you whatsoever in connection with any decision to exercise, or not exercise, any such rights. You acknowledge that if (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will lapse and your rights and obligations hereunder shall cease and determine at such time and no claim shall be made by you in respect thereof.

7. You acknowledge and agree that neither Strand nor either of the Joint Brokers is acting for, and that you do not expect Strand nor either of the Joint Brokers to have any duties or responsibilities towards, you for providing protections afforded to its respective customers or clients under the FCA Conduct of Business Source Book . or advising you with regard to your Placing Participation and that you are not, and will not be, a customer or client of Strand or either of the Joint Brokers as defined by the FCA Conduct of Business Source Book. Likewise, neither of the Joint Brokers treat any payment by you pursuant to this agreement as client money governed by the FCA Conduct of Business Source Book.

8. You undertake and agree that you will be responsible for any stamp duty or stamp duty reserve tax in relation to the Placing Shares and that neither of the Joint Brokers nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax in relation to the Placing Shares.

9. You confirm, represent and warrant that you may lawfully acquire the Placing Shares comprising your Placing Participation and that you have complied with and will comply with all applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by you in relation to the Placing Shares in, from, or otherwise involving, the United Kingdom.

10. The agreement confirmed by the Placing Proof Admission Document is a legally binding contract and the Terms and Conditions of your Placing Participation will be governed by, and construed in accordance with, the laws of England and Wales to the exclusive jurisdiction of whose courts you irrevocably agree to submit.

11. You acknowledge and agree that time shall be of the essence as regards obligations pursuant to the contract.

12. You acknowledge and agree that it is the responsibility of any person outside of the United Kingdom wishing to subscribe for or purchase Placing Shares to satisfy himself that, in doing so, he complies with the laws of any relevant territory in connection with such subscription or purchase and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

13. You acknowledge and agree that the Placing Proof Admission Document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, Placing Shares in any jurisdiction in which such an offer or solicitation is unlawful. Accordingly, you acknowledge and agree that the Placing Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, into the United States, any province of Canada or Australia, Japan, New Zealand or the Republic of South Africa or offered or sold to, or for the account or benefit of, a national, citizen or resident of the United

States, any province of Canada or Australia, New Zealand, Japan, or the Republic of South Africa subject to limited exemptions.

14. You acknowledge and agree that the Placing Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or jurisdiction of the United States, or the relevant Canadian, Japanese, New Zealand, Australian or South African securities legislation and therefore the Placing Shares may not be offered, sold, transferred or delivered directly or indirectly into the United States, Canada, Japan, New Zealand, Australia or the Republic of South Africa or their respective territories and possessions, subject to limited exemptions.

15. You warrant that you have complied with all relevant laws of all relevant territories, obtained all requisite governmental or other consents which may be required in connection with your Placing Participation, complied with all requisite formalities and that you have not taken any action or omitted to take any action which will or may result in Tennyson or the Company or any of their respective directors, officers, agents, employees or advisers acting in breach of the legal or regulatory requirements of any territory in connection with the Placing or your application.

16. You acknowledge and agree that your purchase of Placing Shares does not trigger, in the jurisdiction in which you are resident or located: (i) any obligation to prepare or file a prospectus or similar document or any other report with respect to such purchase; (ii) any disclosure or reporting obligation of the Company; or (iii) any registration or other obligation on the part of the Company.

17. Your acceptance of the Placing Participation will not give any other person a contractual right to require the issue by the Company of any Placing Shares.

18. You warrant that in accepting your Placing Participation you are not applying for registration as, or as a nominee or agent for, a person who is or may be a person mentioned in sections 67 to 72 inclusive and sections 93 to 97 inclusive of the Finance Act 1986.

19. You confirm that, to the extent applicable to you, you are aware of your obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006, the Criminal Justice (Money Laundering and Terrorism Financing) Act 2010 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and any related or similar rules, regulations or guidelines, issued, administered or enforced by any government agency having jurisdiction in respect thereof (the "Regulations") and, if it is making payment on behalf of a third party, it has obtained and recorded satisfactory evidence to verify the identity of the third party as may be required by the Regulations.

20. All times and dates in this Placing Proof Admission Document and the Terms and Conditions set out in this Appendix, may be subject to amendment and Tennyson shall notify you of any such amendments.

21. You acknowledge and agree that no term of the agreement confirmed by the Placing Proof Admission Document shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by any person other than the Company, the Joint Brokers or any affiliate of the Joint Brokers.

22. You have not distributed, forwarded, transferred or otherwise transmitted this Placing Proof Admission Document or any other presentation or offering materials concerning the Placing Shares within the United States, nor will you do any of the foregoing.

23. You acknowledge and agree that (i) the Placing Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold, directly or indirectly, into or within the United States; (ii) you and the person(s), if any, for whose account or benefit you are subscribing for the Placing Shares are located outside the United States and are subscribing for Placing Shares only in an "offshore transaction" as defined in and in accordance with Regulation S under the Securities Act; (iii) you are not acquiring Placing Shares as a result of any "directed selling efforts" as defined in Regulation S; (iv) you are acquiring the Placing Shares for investment purposes and are not acquiring the Placing Shares with a view to, or for offer or sale in connection with, any distribution thereof (within the meaning of the Securities Act) that would be in violation of the securities laws of the United States

or any state thereof; and (v) you will not distribute these Terms and Conditions or any offering material relating to Placing Shares, directly or indirectly, in or into the United States or to any persons located in the United States.

24. If you are purchasing the Placing Shares in the United Kingdom, you are acting as principal only or, if you are acting for any other person (i) you are duly authorised and have the full power to do so; (ii) you are and will remain liable to the Company and/or and the Joint Brokers for the performance of all your obligations as a Placee in respect of the Placing (regardless of the fact that you are acting for another person); (iii) you are a "qualified investor" as defined at Article 2(e) of the Prospectus Regulation acting as agent for such person; (iv) such person is either (1) a "qualified investor" (as defined in Article 2(e) of the UK Prospectus Regulation) or (2) a "client" (as defined in section 86(2) of FSMA) of yours that has engaged you to act as his agent on terms which enable you to make decisions concerning the Placing or any other offers of transferable securities on his behalf without reference to him; and (v) you are duly authorised and have the full power to make, and do make, the representations, warranties, confirmations, acknowledgements, agreements and undertakings set out in this Appendix on behalf of such person.

25. In making the investment decision with respect to the Placing Shares, you have:

    25.1 the ability to bear the economic risk of your investment in the Placing Shares and have no need for liquidity with respect to your investment in the Placing Shares;

    25.2 such knowledge and experience in financial and business matters that you are capable of evaluating the merits, risks and suitability of investing in the Placing Shares, and are able to sustain a complete loss of any investment in the Placing Shares;

    25.3 had access to such financial and other information concerning the Company and the Placing Shares as you deem necessary in connection with your decision to purchase the Placing Shares; and

    25.4 investigated independently and made your own assessment and satisfied yourself concerning the relevant tax, legal, currency and other economic considerations relevant to your investment in the Placing Shares, including any federal, state and local tax consequences, affecting you in connection with your purchase and any subsequent disposal of the Placing Shares.

26. If you have received any inside information (as defined in the Market Abuse Regulation (EU) No. 596/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018) about the Company in advance of the Placing, you have not: (a) dealt in the securities of the Company or financial instruments related thereto or cancelled or amended an order concerning the Company's securities or any such financial instruments; (b) encouraged or required another person to deal in the securities of the Company or financial instruments related thereto or cancelled or amended an order concerning the Company's securities or any such financial instruments; or (c) disclosed such information to any person, prior to the information being made publicly available.

You acknowledge that the Company, Strand, the Joint Brokers, CREST, the Registrar, any transfer agent, any distributors or dealers and their respective affiliates and others will rely on the truth and accuracy of the foregoing warranties, acknowledgements, representations, undertakings and agreements, and you agree to notify the Company, Strand and the Joint Brokers promptly in writing if any of your warranties, acknowledgements, representations, undertakings or agreements herein cease to be accurate and complete and to indemnify and hold harmless the Company, Strand and the Joint Brokers and any of their respective officers, directors, agents, employees or advisers (the "Indemnified Persons") from and against any and all loss, damage, liability or expense, including reasonable costs and attorneys' fees and disbursements, which an Indemnified Person may incur by reason of, or in connection with, any representation or warranty made herein not having been true when made, any misrepresentation made or any failure by you to fulfil any of the undertakings or agreements set forth herein or any other document you provide to the Company, Strand and the Joint Brokers. You irrevocably authorise each of the Company, Strand and the Joint Brokers to produce a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

CREST and certificated Placing Shares

Placing Shares will, once the Placing Shares are issued, be admitted to CREST with effect from Admission. Placees will receive Placing Shares placed with them in uncertificated form registered in their CREST member account. If you do not provide any CREST details or if you provide insufficient CREST details to match within the CREST system to your details, Tennyson may at its discretion deliver your Placing Participation in certificated form provided payment has been made in terms satisfactory to Tennyson and all conditions in relation to the Placing have been satisfied or waived.

The Terms and Conditions set out in this Appendix and the Placing Proof Admission Document of which it forms part have been issued by the Company and are the sole responsibility of the Company.